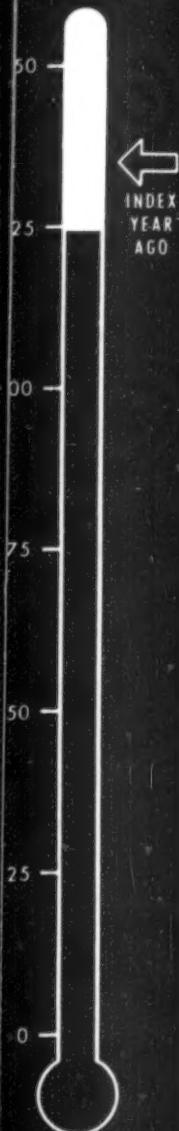


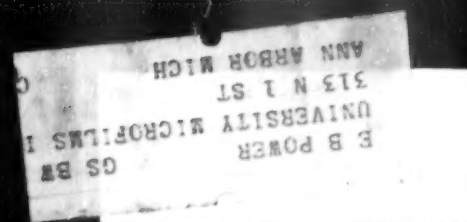
BUSINESS WEEK

INDEX ON PAGE 22



A MCGRAW-HILL PUBLICATION

JULY 24, 1954





"Nationals save us 133% a year on our investment."

—KROEHLER MFG. CO., Naperville, Ill.
"World's Largest Furniture Manufacturers"

"National Accounting Machines have proved to be a very profitable investment for us. The direct savings they have effected repay their entire cost to us every 9 months, giving us 133% return every year on our investment. On Payroll Writing alone they save us more than \$33,000 a year.

"In addition to the above direct savings there are indirect savings and benefits that, while hard to estimate in dollars, are very substantial.

"We find that the main reasons for these savings are (1) the speed and simplicity of operation of National Accounting Machines, and (2) the fact that they do the major part of our work automatically."

W. W. Stegman

Controller and Secretary

KROEHLER serves United States and Canada with fine furniture through the facilities of their 14 strategically located manufacturing plants.

In all sizes and kinds of business, Nationals pay for themselves out of the money they save, then continue savings as yearly profit. Nationals do up to 75% of the work automatically—and what machines do automatically operators cannot do wrong. Operators are happier, too, because their work is made easier. Your nearby National representative will gladly show how much you can save with Nationals.

THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO
949 OFFICES IN 94 COUNTRIES

National

ACCOUNTING MACHINES
ADDING MACHINES • CASH REGISTERS

RESEARCH KEEPS

B.F. Goodrich

FIRST IN RUBBER



Photo courtesy United Electric Coal Companies, Chicago, Ill.

Chewing up the earth— 40 tons a minute

A typical example of B. F. Goodrich improvement in rubber

THAT machine chews up layers of earth, exposing veins of coal that can then be mined. Huge buckets, bolted to the revolving wheel at left, bite into the earth, scoop it up and over onto a moving rubber belt that carries it away.

But imagine the tearing jar on the belt from two-ton bucket loads of dirt and rock hitting it every few seconds, hour after hour. The banging and crashing would be enough to rip any ordinary belt to shreds.

Then a B. F. Goodrich man told the mine owner about the B. F. Goodrich

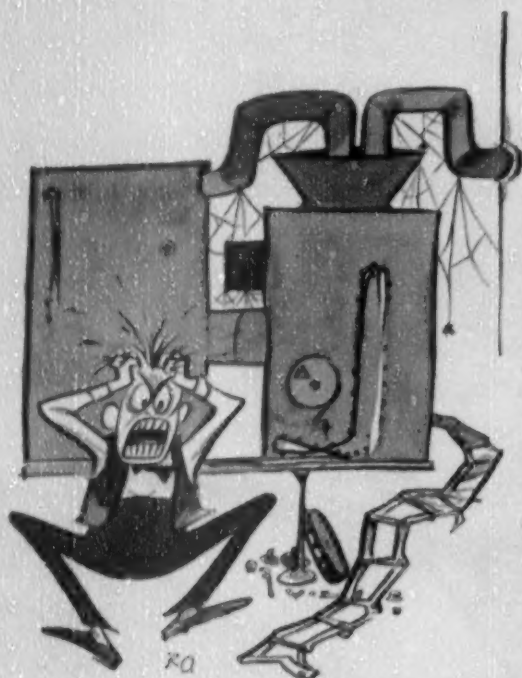
cord belt. Cords, running lengthwise, are held in place by rubber. Under a sharp blow the cords can "give" temporarily, letting the rubber take the shock.

It was a new kind of belt—new, that is, 10 years ago when the belt was put to work on this job. Speed of strip mining increased 400%, the cost was lower because B. F. Goodrich had made improvements in a belt so it would stand rugged service like this.

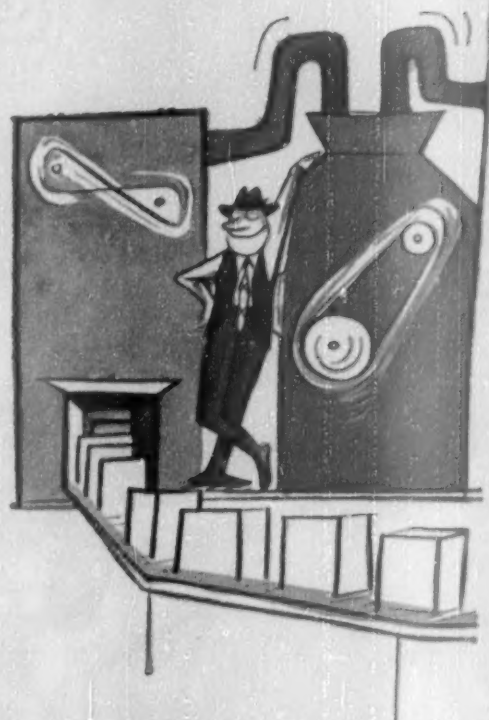
Reducing costs for business is our business. Others may do it by cutting the original price. We do it by a constant program of improvement that

results in products that stand harder use, last longer, and so cost far less when measured in terms of useful life. Don't be too sure that the service you are getting from belting, hose, tank linings or any rubber product is all you can expect until you learn what B. F. Goodrich has done recently to improve it. Call in your BFG distributor or write *The B. F. Goodrich Company, Dept. M-279, Akron 18, Ohio.*

B.F. Goodrich
INDUSTRIAL PRODUCTS
DIVISION



For over a week, poor Mr. Bleak
has been told, "Spare parts are coming!"



But **RAILWAY EXPRESS** delivered Peak's,
and his production's humming!

The big difference is



Whether you're sending or receiving ...
whether your shipment is big or small ...
whether it's by rail or air ... for the
best answer to your shipping problem,
call Railway Express first—a complete
shipping service in the American tradition
of private enterprise.

As a contribution in the public interest,
RAILWAY EXPRESS will take your orders for CARE.



...safe, swift, sure

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BUSINESS WEEK • July 24, 1954



Get Roof-High Storage at Floor-Level Costs

with

ELPAR

"Air-Rights" fork trucks

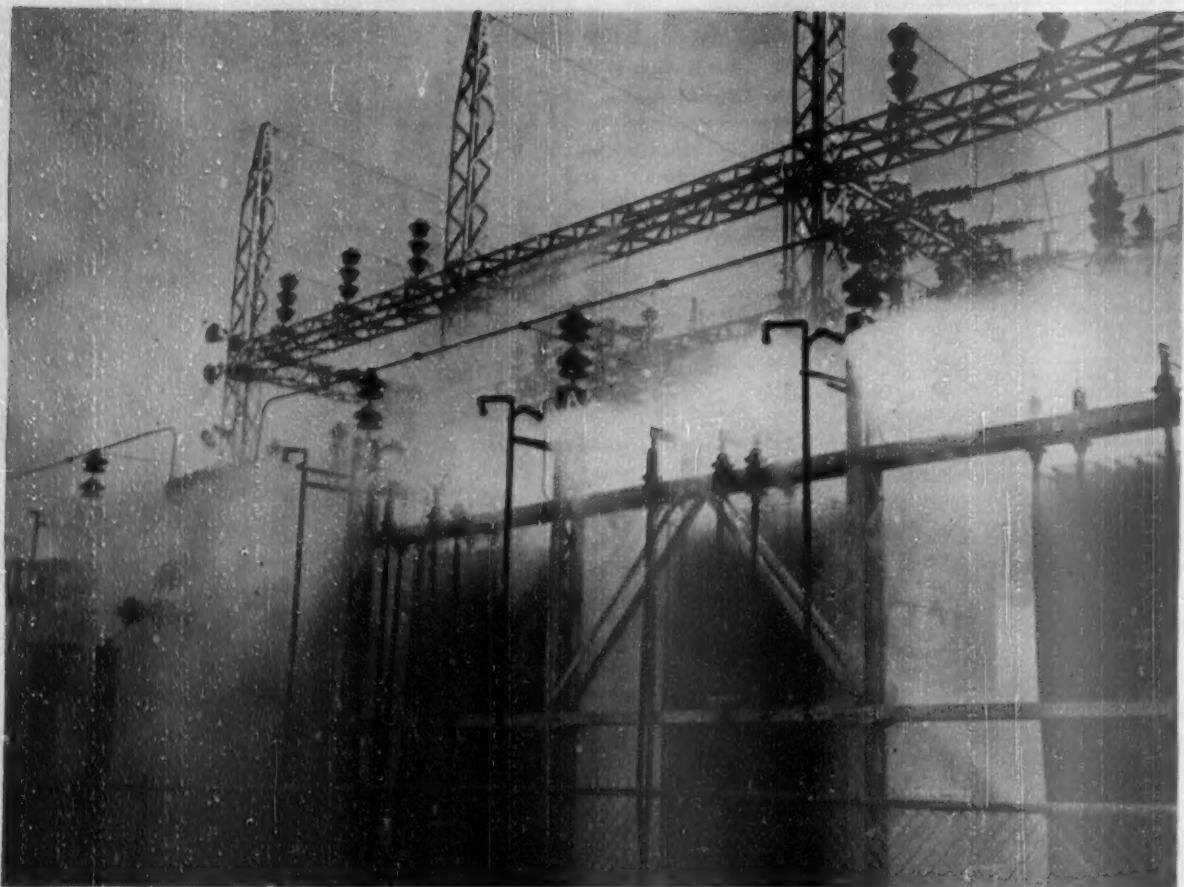
Why scatter your loads over costly floor space leaving a vacuum overhead? E-P fork trucks will high tier them so you can profitably use all overhead space.

There are 8 models in the E-P "Air-Rights" series, in increments of 1,000 lbs. between 2,000 and 10,000 lbs. Electrically powered, they give dependable operation for pennies per day. All parts are quickly accessible for fast, preventive maintenance. Their design features compactness and easy steering.

If you want fork trucks built to match the quality of the finest machinery in your plant, investigate the E-P "Air-Rights" series. Write The Elwell-Parker Electric Co., 4008 St. Clair Ave., Cleveland 3, Ohio.

ELPAR

INDUSTRIAL TRUCKS



SHOULD FIRE BREAK OUT in this large switchyard of the Lake Superior District Power Company, Ashland, Wisconsin, its giant, oil-filled transformers would be instantly and auto-

matically covered by Rockwood WaterFOG which chokes off oxygen and rapidly reduces temperature. The power company would continue to supply electricity to the entire area it serves.

Is there a fire thief on your premises?

A fire thief doesn't stand a chance in the switchyard above. The power company's all set to choke him should he crackle into life.

But how about your company? Are you risking theft by fire? Find out now by sending for Rockwood's illustrated booklet — "15 Types of Fire Protection." Read about amazing modern methods that fight fire in all its

forms — fires in offices, in plants, in trouble spots within plants or on plant property. Learn why specially engineered Rockwood systems control certain types of fires instead of quenching them. Learn how other systems smother fires — and why still others are designed to pour a remarkable fire-fighting blanket over the danger area. Read about amazing Rockwood WaterFOG, FogFOAM, FOAM AND "WET."

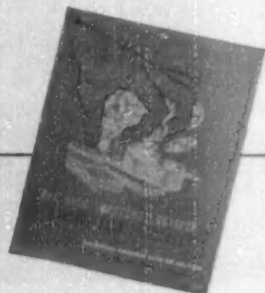
Remember — Whether your business is making soup or automobiles, refining oil or face creams — fire can steal you out of property, money, work, unless you're thoroughly protected against it. It respects no barrier in attacking everything from flammable liquids to "fire-proof" steel. Plan now to get rid of fire thieves on your premises! Send for your free copy of the Rockwood booklet today.

READ ABOUT ROCKWOOD'S DEFERRED PAYMENT PLAN! Find out how Rockwood fire protection systems can add to your capital assets without depleting your capital — how you actually *profit* from these systems. See how money saved from insurance pays for Rockwood installation. Learn about Rockwood's Insurance Analysis Chart. Write for free booklet today, Rockwood Sprinkler Company, 207 Harlow Street, Worcester 5, Mass.

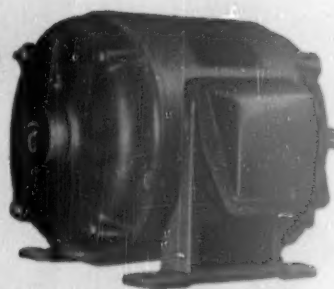


ROCKWOOD SPRINKLER COMPANY

Engineers Water . . . to Cut Fire Losses



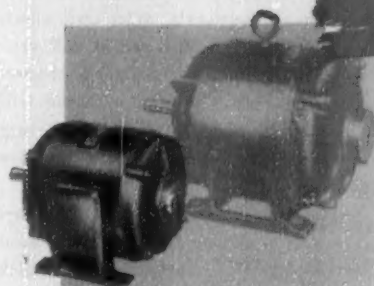
NEW *Century* Performance-Rated® INTEGRAL H.P. MOTORS



New available in
1...1½...2 H.P. sizes—
NEMA frames 182 and 184.

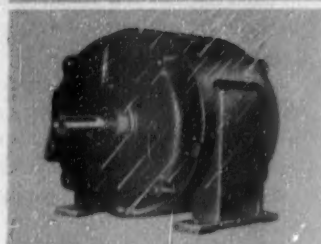
Improved Motors

to match your needs



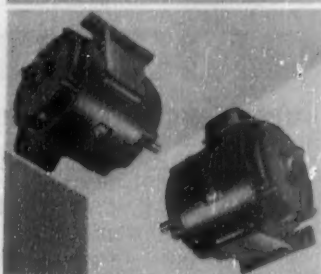
SMALLER — LIGHTER

More uniform silicon-laminated steel; thinner, tougher "Mylar" slot insulation — just two of the many technical developments that help make these new Century Performance Rated Motors so much *smaller* and *lighter*.



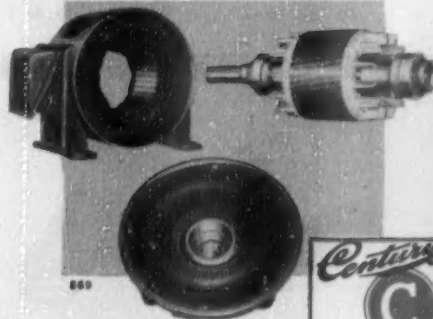
BETTER PROTECTION

New concepts of internal motor ventilation permit end bracket and frame design that gives far better protection from falling liquids and solids... still maintain 40°C. temperature rise.



MORE FLEXIBLE MOUNTING

You can even have cushion mounting with these new Century Integral H.P. Motors — your choice of sleeve or ball bearings. Ball bearing motors mount vertically, upside down, in any position. End brackets can be rotated for top protection in any position.



EVEN MORE DEPENDABILITY

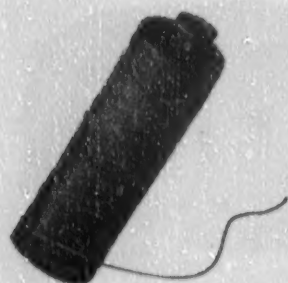
Improved plastic impregnating varnish and plastic insulated magnet wire provide unusual resistance to abrasion, moisture and heat. These new materials possess far better dielectric qualities. Die cast aluminum rotors are individually, dynamically balanced to assure freedom from vibration.

Offices and Stock Points
in Principal Cities

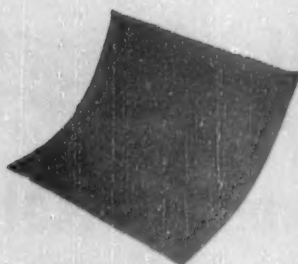


Specify CENTURY Performance Rated motors for your equipment. Call a Century District Sales Office or your nearest Century Authorized Distributor.

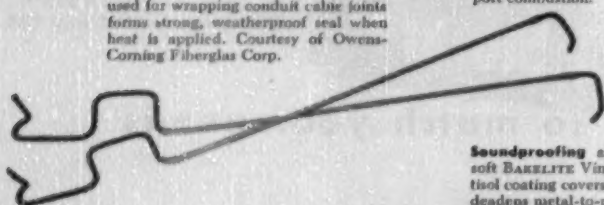
CENTURY ELECTRIC COMPANY • 1806 Pine Street • St. Louis 3, Missouri



Heavy glass yarn coated with plastisol based on BAKELITE Vinyl Resin and used for wrapping conduit cable joints forms strong, weatherproof seal when heat is applied. Courtesy of Owens-Corning Fiberglas Corp.



Glass yarn coated with BAKELITE Vinyl Resin based plastisol can be woven into screening. It won't sag or stretch in heat, corrode, stain, or support combustion.

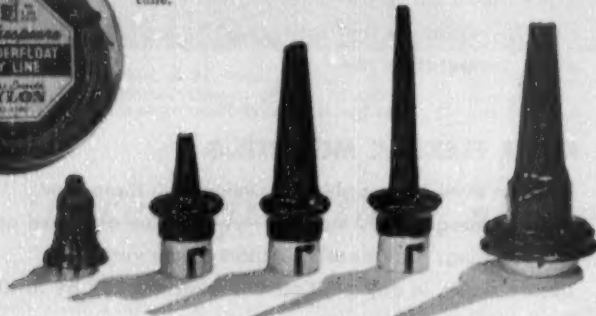


Soundproofing auto seat springs, a soft BAKELITE Vinyl Resin based plastisol coating covers these tension wires, deadens metal-to-metal contact.

A little coating makes a new product



Fishline coated with BAKELITE Vinyl Resin based plastisol stays waterproof, flexible, light in weight. Covered with one application, cutting production time.



Dust and moisture stay out of auto light sockets dipped in BAKELITE Vinyl Resin based plastisol—the most economical means of doing the job. Courtesy of Watts Electric & Mfg. Co.

Above products coated with plastisols produced by Chemical Products Corp., East Providence 14, R. I.

HERE'S A MATERIAL for the development of improved products with extra-service properties. Use a plastisol based on BAKELITE Vinyl Dispersion Resins. Formulated to the proper consistency, plastisols flow into place. They are easily applied by dipping. Baking at only 350 deg. F. converts them into a tough, resilient plastic.

This covering will withstand water, weather, chemicals, acid and alkali solutions, grease, and oil. It will provide good electrical insulation properties. Pigmenting before application will result in a range of brilliant, lasting colors, making plastisols as decorative as they are durable.

Plastisols based on BAKELITE Vinyl Dispersion Resins are also being used for slush molding operations. They pick up mold details even at extremely low pressures. Resulting products are soft-textured and elastomeric.

Getting extra sales and service features for your product may be a simple matter of applying plastisols based on BAKELITE Vinyl Dispersion Resins.

For descriptive booklet, write Dept. XU-62.

BAKELITE
TRADE-MARK
VINYL DISPERSION RESINS

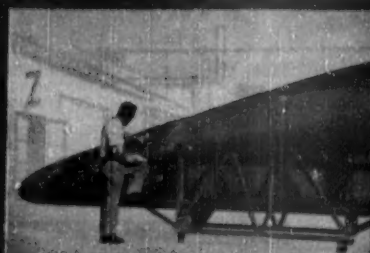
TRADE MARK
BAKELITE COMPANY

A Division of
Union Carbide and Carbon Corporation
UCC

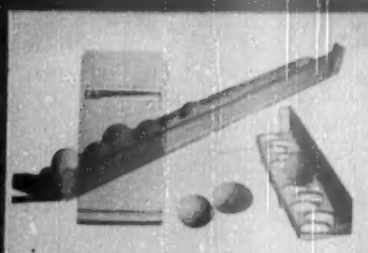
30 East 42nd Street, New York 17, N. Y.



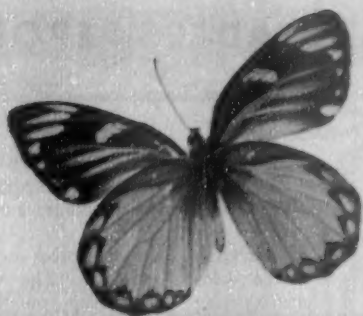
DRY FLIES are always visible in this box made of BAKELITE Vinyl Rigid Sheet. Tough, resilient, resistant to salt and fresh water, they magnets hold flies in place . . . make selection easy. Made by Flasti-Print Inc., Royal Oak, Michigan.



80% SAVING in construction costs resulted from use of reinforced plastics—BAKELITE Polyester Resins and glass cloth—for this Navy bomber 17 ft.-long stinger tail. Made by Zenith Aircraft, Div. of Zenith Plastics Co., Gardena, Calif.

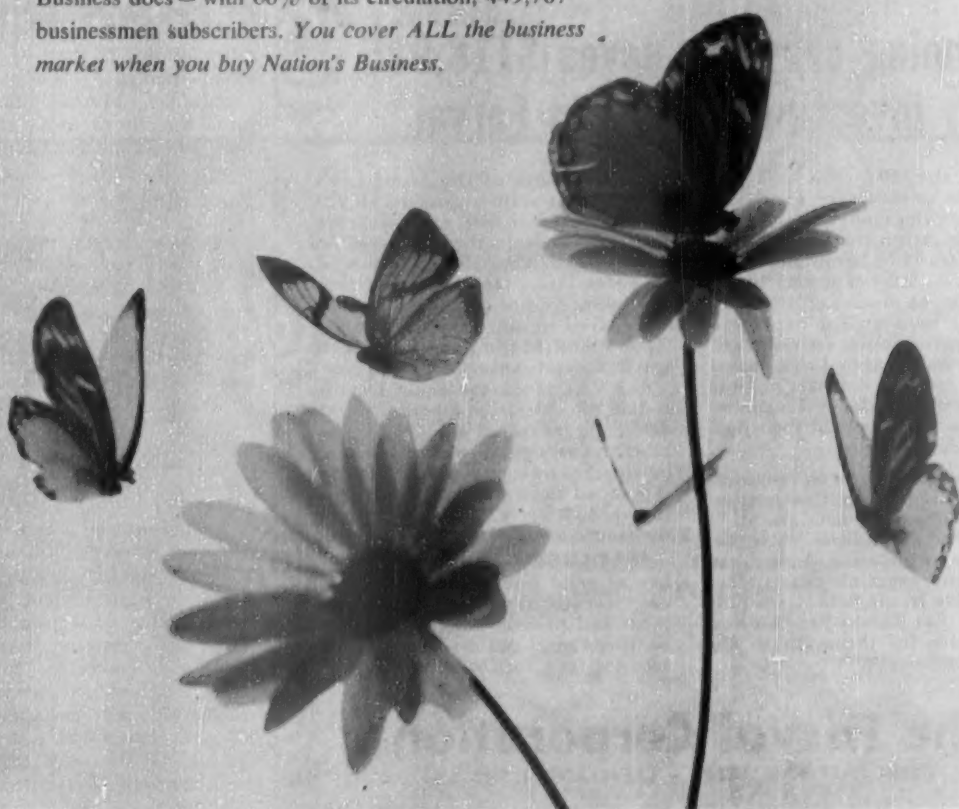


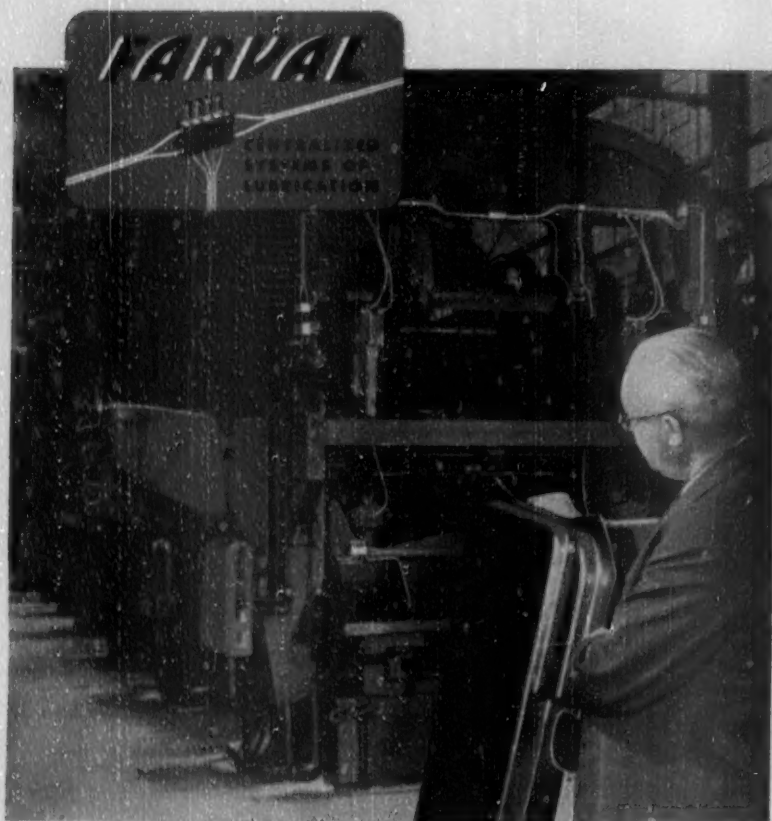
REFRIGERATOR EGG TRAY is molded of tough BAKELITE Styrene Plastic. Design features include crystal-clarity, glossy finish, sharp detail. Precise dimensions speed assembly operations. Made by Amos Molded Plastics Co., Edinburg, Indiana.



Why sell 1 Rochester? Sell 6 with Nation's Business

Nation's Business covers the leading businessmen in Rochester, N. Y. Nation's Business covers the leading businessmen in *all 6* America's Rochesters, *all its 11* Washingtons, *all its 5* Akrons. Nation's Business covers the bigger cities and companies as well as the 16,340 important business markets of less than 25,000 population. These "profit-areas" mean 40% of all manufacturing, 30% of all business transactions — a \$127 billion market. No other business magazine covers them like Nation's Business does — with 60% of its circulation, 449,767 businessmen subscribers. *You cover ALL the business market when you buy Nation's Business.*





PRESIDENT FINDS ANSWER TO HIGH PRODUCTION COSTS

Stamping company saves \$118,985 by investing \$8,925 in Farval

BACK in the '30s, in a drive to eliminate unnecessary expenses, an Ohio stamping company analyzed its press lubrication costs. It was taking hand oilers 15 to 20 minutes to oil a single press. Lubricant was being wasted—often as much as 75%. Production was held up for expensive bearing replacements. In contrast, on some presses equipped with Farval centralized systems, lubrication was only a matter of seconds, with no waste of lubricant, no damaged bearings, no lost production time.

Result was a decision to Farvalize all presses. Regarding this type of systems, the chief engineer stated, "I chose the Farval Dualine Valve because of its engineering design and simplicity, after examining every other make of valve in the field. I am fully convinced that Farval has the best possible valve for the accurate dispensing of lubricant."

The wisdom of the company's decision was soon apparent. \$8,925 was invested in the new systems. Within 18 months they had paid for themselves in labor alone. Up to now, 20 years later, labor savings total \$118,985. Additional thousands have been saved in lubricant and bearing repairs. And the company continues to specify Farval for new press equipment.

FARVAL is the foolproof Dualine system of centralized lubrication that delivers a measured amount of clean lubricant at regular intervals to every bearing. From a central station, lubricant is pumped under pressure to a measuring valve at each bearing, delivering the exact amount of lubricant required.

FREE LUBRICATION SURVEY

Let us send one of our lubrication engineers to inspect your plant equipment and present a written analysis of what Farval can do for you. Write also for free Bulletin 26.

The Farval Corporation

3284 EAST 86th STREET • CLEVELAND 4, OHIO

Farval is an affiliate of The Cleveland Worm & Gear Co., Represented in Canada by Peacock Brothers, Limited

READERS REPORT

Drum, Not Tape

Dear Sir:

Your New Products section [BW—Jun. 5 '54, p. 112] carries an illustration and description of a telephone answering set. . . .

The device is manufactured for the Western Electric Co. by The Gray Manufacturing Co., which was to a large extent responsible for its development. It does not utilize magnetic tape; messages are recorded on a magnetic drum, indefinitely re-usable—at constant linear speed for uniform fidelity reproduction. . . .

DAN H. NORTHUP

DIRECTOR

ADVERTISING & SALES PROMOTION
THE GRAY MANUFACTURING CO.
NEW YORK, N. Y.

Advertising and Agriculture

Dear Sir:

Should high pressure devices suggested by Leo P. Bott [BW—Jul. 3 '54, p. 8] succeed in their objective, what would become of the surplus of unsubsidized foods? People can only eat so much. A greater than normal consumption of all foods would soon lead to a health problem. Dietary experts now warn that America is not simply eating too much of this or that—it is eating too much—period.

Subsidies, like all other economic props directly or indirectly supporting basic and secondary industries, are here to stay. Business is . . . the chief beneficiary of all of them, and . . . business is in government for far more than government is in business. No political party would dare eliminate the supports. . . . Their permanency, however, can only be assured at the cost of increased and strengthened government participation in their management—in other words, at the expense of independence of action. . . .

NAME WITHHELD

BOSTON, MASS.

Dear Sir:

The chap who wrote the letter to Secretary Benson would not have found it so easy to sell surplus rice if there had been a government subsidy which had the effect of keeping the rice growers in ever-increasing production.

He also ignores the fact that there really has been an enormous total of promotion effort on milk and butter, with the butter effort largely nullified because of the price supports which have not applied equally to the butter substitutes.

control profits by controlling

man power...

Personnel Control;
Sales Control — by
man, territory and
product

NAME	AGE	SEX	EDUCATION	EXPERIENCE	POSITION	DATE	STATUS	REMARKS
Aaron Albert J	66	M	5	123	30	1951-12-12	1	
Abelson Louise B	54	F	8	118	34	1951-12-12	1	
Acheson James V	86	M	6	110	40	1951-12-12	1	
Adams John T	51	M	2	99	29	1951-12-12	1	

materials...

Inventory — Parts
Control, Raw Mate-
rials Control

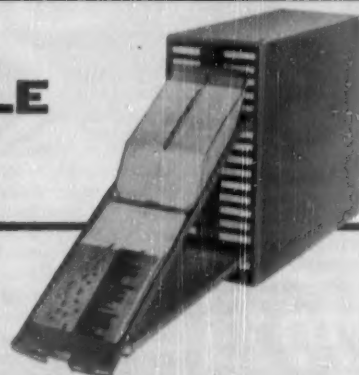
ITEM	QUANTITY	UNIT	PRICE	TOTAL	DATE	STATUS	REMARKS
3051 Crank Shaft Bolt	100	EA	1.25	125.00	1951-12-12	1	
3052 Crank Shaft Pin	100	EA	1.25	125.00	1951-12-12	1	
3053 Crank Shaft Pin	100	EA	1.25	125.00	1951-12-12	1	

machines...

Maintenance, Sched-
uling, Tool Control

MACHINE NO	MAKE	MODEL	LOCATION
15-51-12	Drill Press	98-2120	4-11
15-51-12	Drill Press	98-2120	4-11
15-51-12	Drill Press	98-2120	4-11

with KARDEX VISIBLE



FREE—6 Valuable Booklets:



Maintenance
Management — X1343



Production Control
— X1268



Sales Control — KB324



Tool Control — KB441



Personnel Control
at Union Bag &
Paper Co. — CR006



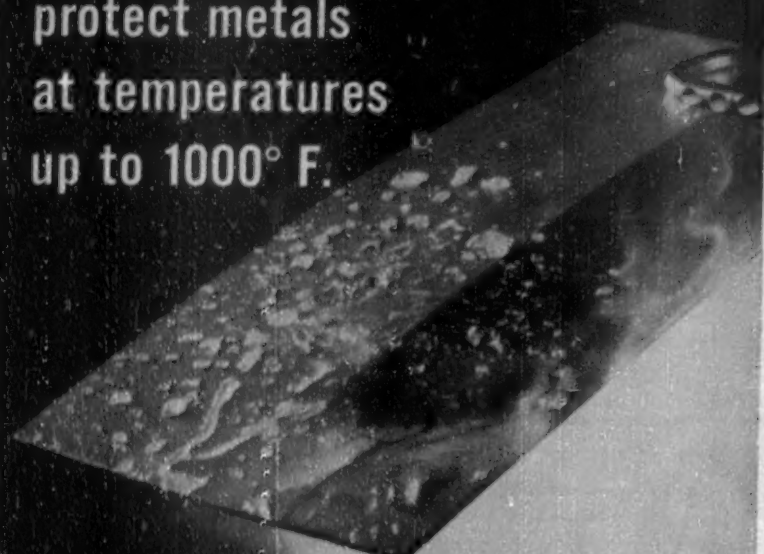
How To Get Profits
From Inventories
— KB375

You, too, can profit through the finer yet
firmer executive control Kardex Visible gives.
Kardex integrates and concentrates
related facts for quick reference — it signals
major items of information in convenient,
bar chart form. You can see ... compare ...
analyze ... execute ... all in seconds.
Why not apply Kardex Visible Control to
your record-keeping problems, whether those
listed above or others specific to
your business? For any of its
cost-savings applications, Kardex provides
quick effective Visible Control, "locked-in"
with exclusive Kardlok Forms and Signals.

Write Remington Rand, Room 1703, 315 Fourth Ave., New York 10

Remington Rand

Dow Corning Silicones protect metals at temperatures up to 1000° F.



Silicone aluminum paint on left half of steel panel is unaffected by heat and moisture while organic aluminum on right half has peeled permitting metal to rust.

With properties midway between those of vitreous enamels and the best organic finishes, silicone coatings are relatively inexpensive, easily applied and indifferent to the kind of temperatures and corrosive conditions that ruin conventional paints in short order.

For example, aluminum pigmented silicone paint shows no deterioration after four years of service on a cyclone furnace operating at temperatures from 70° to 1400° F. Aluminum pigmented organic paints lasted only a few hours.

In the pharmaceutical industry, a straight silicone aluminum finish on racks used to sterilize antibiotics shows no indication of peeling after

150 hours; organic aluminum finishes started to peel, permitting rust to form, after 9 to 15 hours.

Other recently developed silicone-based finishes now available include air drying silicone-alkyd exterior paints with greater resistance to weathering; nonyellowing baking enamels which retain their original color and gloss after prolonged service at 400° F; silicone-phenolics for nonchalking, nonfading maintenance paints and spar varnishes.

Stimulate sales with longer lasting, more attractive finishes. Cut the cost of repainting hot metal surfaces. Investigate protective coatings made with Dow Corning Silicones.

Mail This  Coupon Today

DOW CORNING CORPORATION, DEPT. E-19 Midland, Michigan

Please send me

- ☐ Data Sheet on Silicone-Based Protective Coatings
- ☐ List of Formulators
- ☐ Tell Tales and Fabulous Facts about Silicone Products

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Business methods applied to the surplus can only be effective if coupled with the elimination of excessive support, and the support is, of course, political rather than administrative and based on political rather than economic policy.

HAROLD F. MARSHALL
PALMYRA, N. J.

Dear Sir:

What amazes me is the complete lack of understanding of the problem of United States agriculture displayed by Leo P. Bott's letter to Secretary Benson. He writes of advertising campaigns to raise the demand for agricultural products; he just does not understand the problem of agriculture vis-a-vis industry and its supply and demand context.

The demand for agricultural products is inherently inelastic, while their supply is constantly increasing. Demand for manufactured products is dynamic and flexible, depending as it does on product differentiation and the like. The problem is to maintain our self-sufficiency in food products and also to maintain a balance between the agricultural and the industrial sectors of the economy, i.e. to prevent market conditions from ruining the agricultural sector.

The problem is resolved by maintaining the income of the farmers. This can be done in two ways: one, the Government can purchase and store that which is "rejected" by the market; two, the Government can allow all produce to reach the market and let the market determine the price and make up the difference between that and a determined parity by direct payment to the producers.

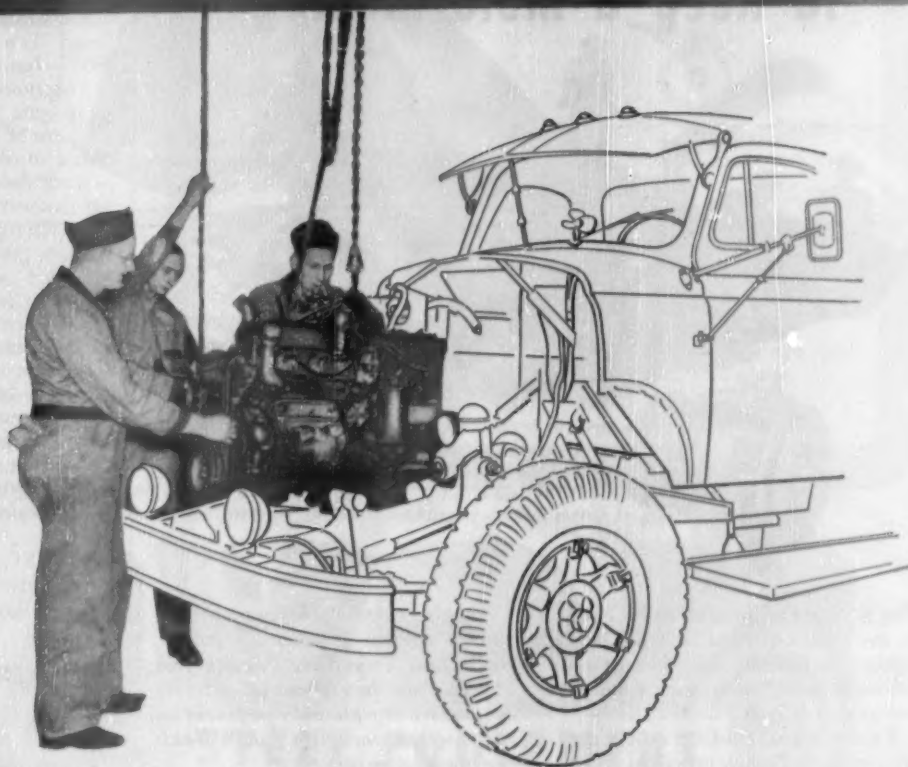
The first method, price supports and storage, sets up some storage problems that the second does not. It has been in effect in a limited way . . . for some years, but is now going completely by the board. The second method, besides precluding problems of storage, would also insure increased consumption (albeit inhibited by the natural inelasticity of demand for agricultural products mentioned above) since lower income groups would benefit by the lower market price.

Advertising is not the answer to agriculture's problem—it might do wonders for advertising men though.

SIDNEY HELFANT
BROOKLYN, N. Y.

• Can't agree with you that demand for farm products is constant while supply keeps going up. Take cotton—competition from synthetic fibers beat down consumer demand for this commodity. Recently, with promotion of

Curiosity KILLED THIS ENGINE'S RECORD



THIS TRUCK ENGINE, using Philgas as a motor fuel, had run 312,000 miles without overhaul. It kept to a tough day and night schedule for Mistletoe Express Company. It might have gone on running indefinitely, but the engine experts couldn't wait to satisfy their curiosity. They replaced the engine so that it could be taken down.

Reports the maintenance superintendent: "That engine was clean as a pin. It would have gone 400,000 miles without overhaul. Philgas is the ideal fuel for fleet operation."

Philgas is Phillips Petroleum Company's trademark for its high quality LP-Gas (butane, propane). Phillips pioneered the use of LP-Gas as a motor fuel over a quarter of a century ago, along with many other applications in the home and in industry. There is no cleaner fuel for buses, trucks, tractors, or wherever internal combustion power is needed. Philgas is extra high octane. It is low in cost. It is the fuel with a future!

Philgas is an important and growing part of the growing business of Phillips Petroleum Company.

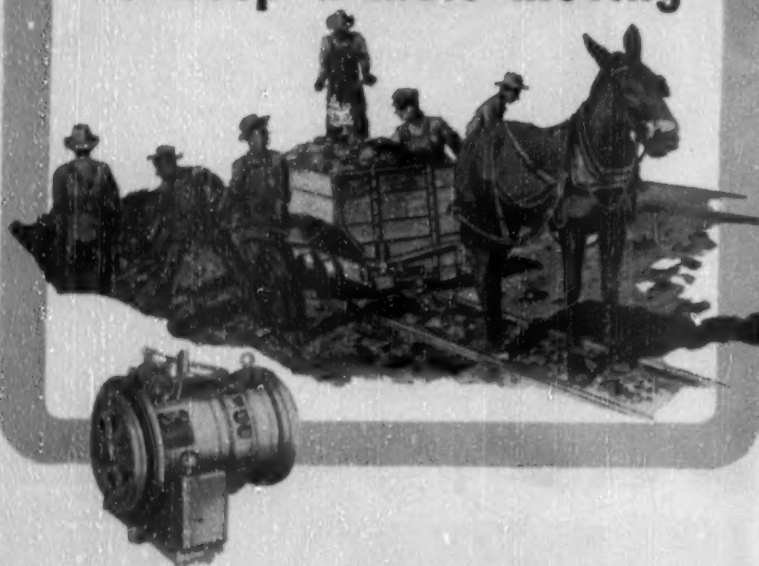


PHILLIPS PETROLEUM COMPANY

Bartlesville, Oklahoma

We Put the Power of Petroleum at America's Service

When it took six men to keep a mule moving



The clanking of hand-shovels . . . the hoarse grunts of hard labor . . . and, finally, the tight squeak of harness as the mule pulled away with a meagre ton or two of coal . . .

That was coal hauling, only a generation ago. Today, powerful trucks pull away in high gear with 80-ton payloads—climb to the ripple without gear-shifting and return without pedal-braking, utilizing the high torque multiplication and built-in Hydrodynamic Braking of Twin Disc Hydraulic Torque Converters.

This is controlled horsepower . . . and to control it more effectively, you'll find Twin Disc Friction and Fluid Drives throughout all industry as standard or optional equipment on the powered machinery built by leading manufacturers.

Up to 6:1 multiplication of torque, powerful downhill retarding, lock-out drive of Twin Disc Model DF Torque Converter in this Cummins-powered Hendrickson truck speeds work cycles, eliminates pedal-braking, permits economy over flat terrain.



TWIN DISC

TWIN DISC CLUTCH COMPANY, Racine, Wisconsin • HYDRAULIC DIVISION, Oakford, Illinois

Branches or Sales Engineering Offices: Cleveland • Dallas • Detroit • Los Angeles • Newark • New Orleans • Seattle • Tulsa

cotton, sales against competition have improved.

Or, take citrus fruit—advertising promotion must get credit for boosting sales and consumption of oranges, lemons, and limes.

Business Club Business

Dear Sir:

I enjoyed your article . . . North, South: You Do Business at The Club [BW—Jun. 5'54,p90].

The Boston Club has been open for three years, and is housed in the former mansion of Eben Jordan, the merchant prince of old Boston. The Club occupies six floors with an adjoining building that was formerly the carriage house, now serving as a fully-equipped and modern gymnasium with full facilities.

I am in agreement . . . that the club functions greatly as a meeting place for businessmen, but on the other hand I find that in our particular case the social side of our activities far outweighs whatever business we do for businessmen. Regardless of all this, I feel that The Boston Club has made a definite impression upon the social and business life of Boston and now boasts close to 800 members.

BENJAMIN WHITE

PRESIDENT

THE BOSTON CLUB
BOSTON, MASS.

Raising the Level

Dear Sir:

I have just finished reading the article in the Jun. 26 issue of BUSINESS WEEK (p. 100) which describes our industrial relations training program. . . . The article certainly gives a very fair and accurate picture. . . .

I hope other employers may be stimulated to undertake similar projects because I feel strongly that a great deal can be accomplished by lifting the general level of competence of the people who do industrial relations work. This may make our job of recruitment harder, but the article should be of considerable assistance to us in that regard.

R. D. BLASIER

VICE-PRESIDENT

WESTINGHOUSE ELECTRIC CORP.
PITTSBURGH, PA.

The Price of Steadi-Drive

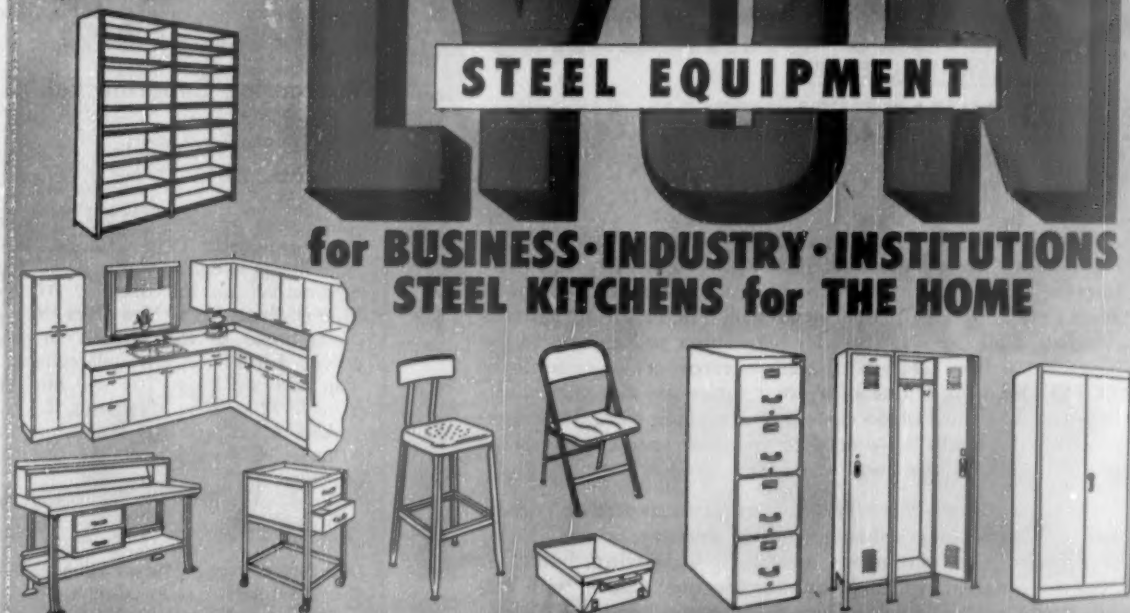
Dear Sir:

. . . The wonderful article . . . on the Steadi-Drive accelerator control [BW—Jun. 19'54,p164] . . . failed to indicate that the \$7.95 price is for 6 volt systems only. 12-volt systems re-

not ask him to stop in with his 76-page catalog—chock-full of equipment and ideas.

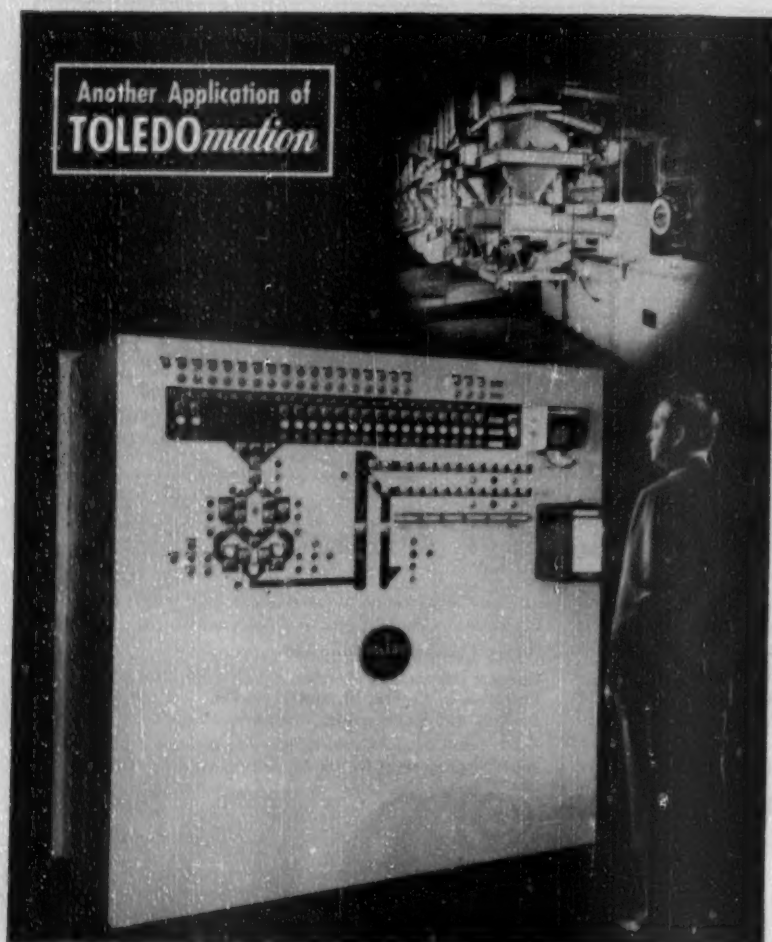
Lyon also has complete facilities for manufacturing special items to your specifications.

for BUSINESS·INDUSTRY·INSTITUTIONS
STEEL KITCHENS for THE HOME



- Shelving
- Lockers
- Stools
- Bin Units
- Kitchen Cabinets
- Cabinet Benches
- Stairage Cabinets
- Drawing Tables
- Tool Toters
- Bar Racks
- Tool Boxes
- Parts Cases
- Economy Locker Racks
- New Freedom Kitchens
- Toolroom Equipment
- Wood Working Benches
- Display Equipment
- Flat Drawer Files
- Revolving Bins
- Hanging Cabinets
- Filing Cabinets
- Folding Chairs
- Work Benches
- Bench Drawers
- Service Carts
- Sorting Files
- Drawer Units
- Hopper Bins
- Tool Stands
- Shop Boxes
- Tool Trays
- Shop Desks

Another Application of
TOLEDOmation



PROBLEM SOLVED BY:

Automatic, Electrically-Interlocked Batch Control

A pattern of flashing lights traces the precise compounding of ingredients by a battery of Toledo Scales—all electrically interlocked through this control panel. Each ingredient is accurately added, in proper sequence. The resulting batch is controlled all the way through surge bins and mixing to the furnaces without chance of human error. This example of TOLEDOmation is one of a great variety of automatic units developed by the Toledo custom-engineering staff, combining traditional Toledo Scale accuracy with advanced applications of electrical and electronic equipment.

What is your problem? The custom-products staff at Toledo, and at Toledo offices throughout the country, is available to study your particular needs in testing, classifying, batching, counting, balancing, and force-measuring. Check with our office nearest you or write Custom Industrial Products, Toledo Scale Co., Toledo 1, Ohio. A new booklet describing recent applications of TOLEDOmation will be available soon. Write for a copy.

TOLEDO®

TOLEDO SCALE COMPANY, TOLEDO, OHIO

quire a Voltage Reducer costing an additional dollar (\$8.95).

Also, many people have written in asking for the following information: Steadi-Drive fits all makes and models.

WALTER B. SCHNUR

BRONX, N. Y.

Roll Out the Bbl.

Dear Sir:

To an old tanker sailor the . . . article, *New Tanker Fleet* [BW—Jun. 12 '54, p. 80], is indeed a comedy of errors. In the first place, for any tanker of reasonable depth and beam to carry 14-million barrels of oil would require a ship about 20,000 feet long. Some ship!

I believe the ship in question is rated at approx. 250,000 bbls., or about 104-million gallons. You . . . apparently erroneously extended the bbl. figure to gallons using 55 gallons per bbl. instead of the correct 42, and then still called it barrels.

At least he was consistent, for later he referred to 4 ships hauling 500-million bbls. per year. At 250,000 bbls. per ship, that's 500 round trips per year per ship—Boeing and their 707 jet tanker should hear about this.

Yours for bigger and faster tankers,
DONALD L. WHEELER

LYNWOOD, CALIF.

• Originally we said 14-million gallons. Then someone thought that barrels looked better than gallons—but omitted to convert the figure.

Wandering Supermarket

Dear Sir:

It is a rare thing, indeed, to find a mistake in BW . . . but I believe I have found one.

On page 87 of the May 29 issue, *The Supermarket, 1954: Changes Come Slower*, you mentioned the Food Fair supermarket on the so-called Miracle Mile in Great Neck, New York. Recognizing some of the pictures in your article, I think if you will consult a map of Long Island you will find the Miracle Mile is in Manhasset, L. I.

Also, I am sure the builder of the Miracle Mile would not like the title so called.

RICHARD J. CONROY, SR.
MANHASSET, N. Y.

• A rare correction for a rare mistake—the supermarket is in Manhasset.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.

Clear away harmful dust and grime



Keep workers happy, production on time!



INSTALL **ILG** VENTILATING EQUIPMENT

ILG ELECTRIC VENTILATING CO.

2850 N. Pulaski Road, Chicago 41, Illinois

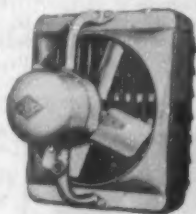
Get the Facts . . . Free!

Here's the complete story about how you can clear the air for action in your plant and office. ILG's Industrial Ventilation Guide gives you the important information you need. Write today for your copy of Bulletin 1520G.



ILG Propeller Fans

Feature ILG's self-cooled motor, direct connected to fan wheel — assures extra quiet, low-cost operation. Sizes from 6" to 72".



ILG Unit Heaters

The complete line — steam, hot water, gas or electric — with capacities ranging from 18,600 BTU to 286,000 BTU.



ILG Centrifugal Fans

Designed for a wide variety of pressure and volume requirements — certified capacities ranging from 374 C.F.M. to 116,400 C.F.M.



ILG Power Roof Ventilators

Long-lasting, quiet, easy to install, leak-proof — provide efficient ventilation independent of wind and weather.



The Park Sheraton, New York City



The Sheraton-Park, Washington, D. C.



The Sheraton, Worcester, Mass.

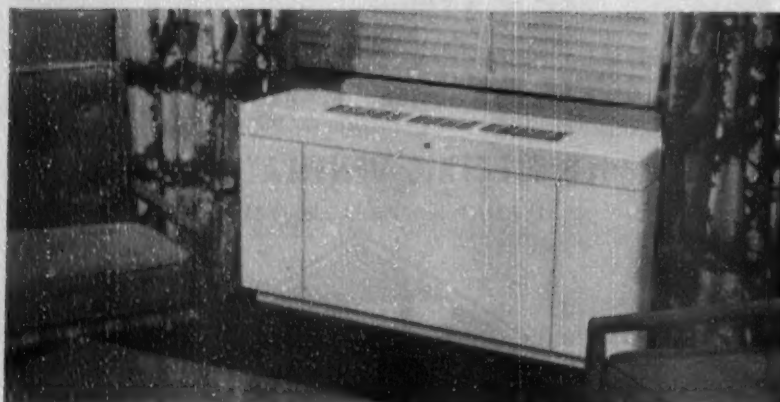


The Sheraton-Gibson, Cincinnati, Ohio



The Sheraton-Biltmore, Providence, R. I.

"Here's the air conditioning system that keeps guests coming back to Sheraton Hotels"



REMOTAIRE room unit may be free standing or recessed into a wall. Cabinet is made of reinforced steel for extra sturdiness. Toe-step recess allows floor covering to fit snugly around base, facilitates cleaning of surrounding floor area.

... says Ernest Henderson, President of the Sheraton Corporation of America. "The American-Standard Remotaire system keeps our rooms comfortable the whole year 'round. Our guests appreciate it and the system pays for itself."

The Remotaire uses chilled water from a central chilling plant for summer cooling—hot water from a central system for winter heating. It filters and circulates comfortable air to all rooms at all times. Individual room units allow for temperature selection without affecting adjoining rooms. The adaptability of the Remotaire makes it ideal for modernizing hotels, office buildings, apartments, hospitals . . . as well as for use in new buildings.

For more information mail coupon to American Radiator & Standard Sanitary Corporation, Pittsburgh 30, Pennsylvania.



AMERICAN-Standard
WATER HEATING-COOLING SYSTEMS

American-Standard

Dept. BW-74, Pittsburgh 30, Pa.

Please send me literature on the Remotaire unit.

NAME.....

ADDRESS.....

CITY.....STATE.....

Serving home and industry: AMERICAN-STANDARD • AMERICAN BLOWER • CHURCH SEATS & WALL TILE • DETROIT CONTROLS • NEWARK BOILERS • ROSS EXCHANGERS • SORBEAN AIR CONDITIONERS

BUSINESS OUTLOOK

BUSINESS WEEK

JULY 24, 1954



This week's cease-fire for Indo-China really changes nothing for American business. At the same time, it makes planning no simpler.

A burden is lifted from France. That could ease our task in Europe.

But lacking a real peace in Asia, our commitments will be much the same (if less pressing) as when the shooting was on.

Business certainly has steadied. Movements in the Federal Reserve Board's index for the four months, March through June, were in a one-point range. (March and April were measured at 123, May and June at 124.)

This prompts the Dept. of Commerce to declare that today's volume is "impressively large" and conditions "mainly stable."

For a few people, whose business still is in the dumps, this may have a "just around the corner" ring to it. However, for most it's true.

Most observers expect mild business expansion in the autumn. But businessmen shouldn't look for too much all in a hurry.

The slide has left some financial contusions and a good many order-book bruises. These need to be healed before you can look for much of a pickup in factory output, employment, and payrolls.

(It was May, 1950, before we detected any vigor after the 1949 slump.)

July probably won't even maintain the straight line the Federal Reserve's index has been tracing. Wider-than-usual vacation shutdowns are general, prompted by the very fact that demand isn't too pressing.

A couple of our big industries are unable, at the moment, to do much about blazing the comeback trail.

Steelmakers see no zip in their market before September. This is a setback; earlier they talked of an upturn during August.

Auto output in July will be disappointing—well under 500,000 cars. Mainly, the effort is to avoid last year's troubles when the market was overproduced on the eve of presenting new models.

Chrysler is planning to shut down one division after another in August and September. This will pave the way for "late fall introduction dates" for the company's new models.

(Closings this week were impromptu as well as premature. Chrysler's body output was in the throes of a strike at midweek.)

Farm demand for equipment apparently has fallen below expectations.

International Harvester this week announced layoffs affecting nearly 5,000 workers in seven implement and three truck plants.

The company, in explanation, points out that the market not only is slipping into its summer lull but that demand has turned out to be less than when production schedules were set in the spring.

Figuring the farm market remains tricky.

Farmers (1) have caught up with equipment needs since shortages

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JULY 24, 1954

ended, and (2) are hard to sell on innovations as long as income prospects remain uncertain.

Debate over changes in the farm program (no matter how desirable) is a factor. The fight intensifies price uncertainty.

—•—

Business, over all, probably isn't greatly affected, but here's a "recession" that wasn't generally expected:

Lower crude oil production has cut petroleum refining to about 85% of capacity, according to McGraw-Hill's National Petroleum News.

This is part of the drive to work off gasoline stocks (BW—Jun. 26 '54, p25). These still are 20-million bbl. or 14% higher than a year ago.

—•—

Several industries hardly know a "correction" has been in progress if you adjust production figures to wash out seasonal fluctuations (although some companies within these groups may have felt it).

Food processing, for example, is higher now than it was before either the turn of the year or a year ago.

Chemicals and paper are not much changed from a year ago, but are a bit better off than when 1954 began.

Consumer demand has been sturdy enough to hold output steady in some lines, even though this level is considerably below 1953 rates.

Output of furniture, of textiles and apparel, and of rubber and leather goods has hardly fluctuated at all this year (corrected for seasonal patterns). Yet they are 15%, 13%, and 9% below a year ago, respectively.

Cuts in production, of course, have been more severe than the drop in retail sales. This is typical of any period of inventory reduction.

Textiles, to make up any of their loss compared with a year ago, will have to do it in the second half of the year if cotton consumption is any measure. Daily rate of use in June, just under 32,000 bales, was the poorest in a year.

That dropped the six months 650,000 bales behind the 1953 figure.

Output of major durable goods produced for consumers, over all, has risen substantially from its first-quarter low. Nevertheless, even at the improved rate, the Federal Reserve's figures indicate a lag of nearly 15% behind the same period last year.

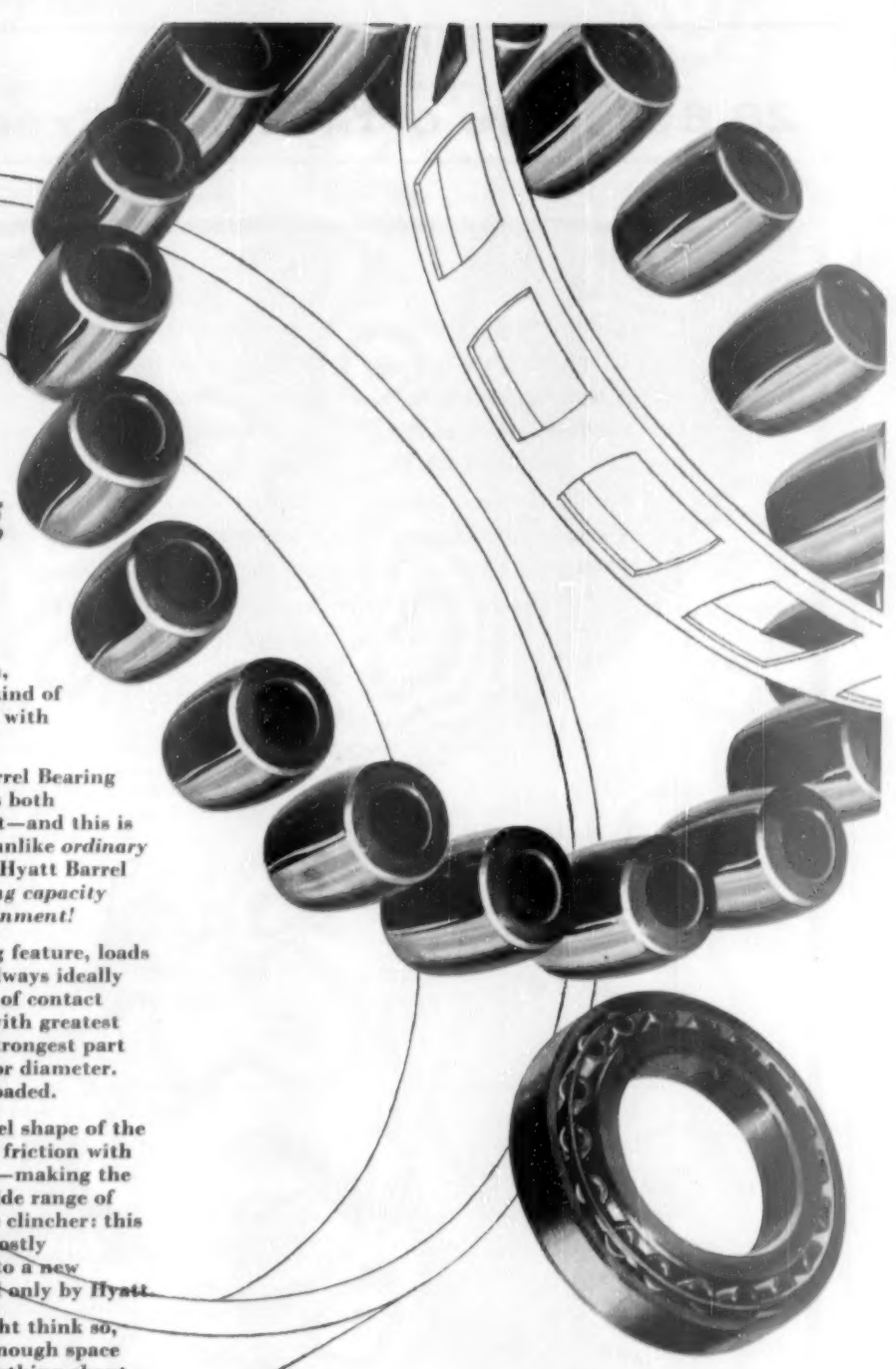
Autos, of course, play a part in this. However, new car output wasn't any 15% behind in the second quarter; thus it is clear that many household items, including furniture and appliances, fell behind the averages.

Freezers, down more than 35%, took one of the deepest dives.

Most manufacturing lines that turn out metal products for industry appear not to have struck bottom until some time in the second quarter. In this they were, typically, several months behind consumer goods.

The drop in production, presuming the bottom has been reached, finally came out at about 17%—only a little deeper than in consumer durables.

Contents copyrighted under the general copyright on the July 24, 1954, issue—Business Week, 330 W. 42nd St., New York, N. Y.



The barrel does the bearing job better

In the fight against friction, engineers are using a new kind of bearing . . . a bearing built with barrel-shaped rollers.

Developed by Hyatt, the Barrel Bearing is "dual-purpose"—it takes both radial and thrust loads. But—and this is the important difference—unlike ordinary dual-purpose bearings, the Hyatt Barrel operates at full load-carrying capacity under conditions of misalignment!

Because of this self-aligning feature, loads on the Barrel Bearing are always ideally distributed over large areas of contact between races and rollers, with greatest load concentration at the strongest part of the rollers—at their major diameter. Roller ends cannot be overloaded.

But that's not all. The barrel shape of the rollers combines low rolling friction with high load-carrying capacity—making the Barrel Bearing ideal for a wide range of applications. And here's the clincher: this superior bearing is far less costly than you'd expect—thanks to a new manufacturing process used only by Hyatt.

Does that cover it? You might think so, but it doesn't. There isn't enough space on this page to tell you everything about this new bearing. For full information, write to the address below.

HYATT

STRAIGHT BARREL TAPER

ROLLER BEARINGS

HYATT BEARINGS DIVISION • GENERAL MOTORS CORPORATION • HARRISON, N. J.

28,601 Years of Chemical Experience

The skills acquired through experience are happily blended with the vigor and ambitions of youth throughout the Columbia-Southern organization.

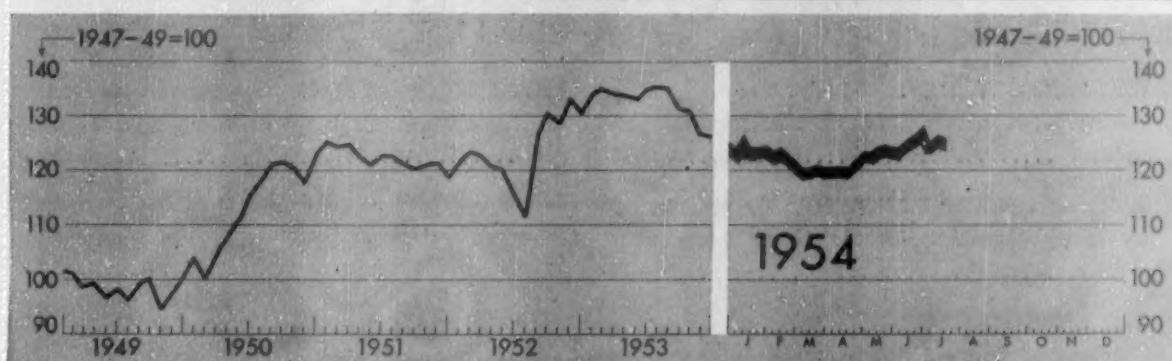
§ Nearly a third of all Columbia-Southern personnel have been with the company from ten to forty-five years. In the aggregate, the Columbia-Southern staff has had 28,601 years of experience! These people know the chemical business—and they understand the requirements of customers. § Equally important, however, are the many fine younger members of the Columbia-Southern organization whose developing talents and abilities are assurance of continuing progress and adherence to high standards through the years ahead.



**COLUMBIA-SOUTHERN
CHEMICAL CORPORATION**

SUBSIDIARY OF PITTSBURGH PLATE GLASS COMPANY
ONE GATEWAY CENTER • PITTSBURGH 22 • PENNSYLVANIA

FIGURES OF THE WEEK



Business Week Index (above) *124.2 †124.4 126.8 135.7 91.6

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
Steel ingot production (thousands of tons).....	1,573	†1,534	1,720	2,128	1,281
Production of automobiles and trucks.....	131,163	†106,169	140,063	175,599	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$57,075	\$59,407	\$50,468	\$41,979	\$17,083
Electric power output (millions of kilowatt-hours).....	8,951	8,185	8,850	8,209	4,238
Crude oil and condensate production (daily av., thousands of bbls.).....	6,298	6,281	6,495	6,551	4,751
Bituminous coal production (daily average, thousands of tons).....	1,068	†1,455	1,260	1,329	1,745
Paperboard production (tons).....	199,338	126,542	248,260	214,656	167,269

TRADE

Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars).....	66	67	68	75	82
Carloadings: raw materials (daily av., thousands of cars).....	48	48	49	60	53
Department store sales (change from same week of preceding year).....	-16%	+18%	-1%	+11%	+30%
Business failures (Dun and Bradstreet, number).....	226	196	207	148	22

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	431.4	431.8	428.2	426.5	311.9
Industrial raw materials, daily index (U. S. BLS, 1947-49 = 100).....	86.3	86.5	87.3	85.9	†173.2
Foodstuffs, daily index (U. S. BLS, 1947-49 = 100).....	99.3	99.6	98.1	92.0	†175.4
Print cloth (spot and nearby, yd.).....	19.1¢	19.1¢	19.2¢	21.0¢	17.5¢
Finished steel, index (U. S. BLS, 1947-49 = 100).....	143.8	†142.0	140.9	141.7	†176.4
Scrap steel composite (Iron Age, ton).....	\$26.83	\$26.58	\$27.58	\$44.83	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.).....	30.000¢	30.000¢	30.000¢	29.975¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.32	\$2.23	\$2.13	\$2.07	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	34.46¢	34.34¢	34.15¢	33.43¢	30.56¢
Wool tops (Boston, lb.).....	\$2.25	\$2.25	\$2.15	\$2.12	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	238.4	238.7	230.7	192.3	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.50%	3.50%	3.49%	3.86%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1½%	1½-1½%	1½-1½%	2½%	1-1½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	53,652	53,311	56,166	52,643	††45,820
Total loans and investments, reporting member banks.....	81,076	81,101	81,683	80,048	††72,036
Commercial and agricultural loans, reporting member banks.....	21,647	21,728	21,973	22,651	††9,299
U. S. gov't guaranteed obligations held, reporting member banks.....	33,549	33,575	34,058	33,326	††49,879
Total federal reserve credit outstanding.....	25,669	25,736	25,844	25,923	23,883

MONTHLY FIGURES OF THE WEEK

	Latest Month	Preceding Month	Year Ago	1946 Average
New orders for machinery, except electrical (McGraw-Hill, 1950 = 100).. June.....	94	79	99	N.A.

* Preliminary, week ended July 17, 1954.

† Revised.
†† Estimate.

N.A. Not available.
* Date for "Latest Week" on each series on request.

in BUSINESS this WEEK . . .

GENERAL BUSINESS:

WHY PRICES WON'T GO DOWN. They're holding steady between rising wages and sagging production.p. 25

STAINLESS PRICES HANG FIRE. The steel industry may be waiting for aluminum to make its move.p. 27

OLD CARS MAKE A BROADWAY SHOW. The Carnival of Cars—a new form of entertainment for Times Square.p. 28

WEST PAYS A PRICE FOR PEACE. What the settlement in Indo-China means.p. 30

EMBATTLED TVA. Public power advocates bristle at Administration's plan favoring private utilities.p. 32

NEWS SWITCH. Construction man gets control of Philadelphia News, promising stiffer competition to other dailies.p. 32

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SPECIAL REPORT:

RED CHINA: AN ANCIENT LAND WITH NEW AMBITIONS. In its first five years, this country's record portends a grimly active future.p. 92

BUSINESS ABROAD:

FRANCE CALLS IT QUITS IN INDO-CHINA. Geneva agreement registers what had already been lost through military blunders.p. 110

SUEZ STOCK STAYS WAY UP. British troops may withdraw from Egypt, but the outlook for the Canal Co. seems bright.p. 111

BRAZIL FEELS THE SQUEEZE. They've had to come to the U.S. for credit while their coffee prices soar.p. 112

TARIFF BATTLE GETS UP STEAM. And White House is torn between liberal trade policy and business pleas.p. 114

WEST PAYS A PRICE FOR PEACE. What the settlement in Indo-China means.p. 30

Business Abroad Briefs.p. 114

FINANCE:

THE RECESSION HARDLY BOTHERED THEM AT ALL. Here's why Wall Street veterans advise electric utility stocks.p. 68

SEQUEL TO THE N. Y. CENTRAL'S CAPTURE. The two Texans are shifting control of their 800,000 shares back to Young interests.p. 70

THEY'RE LAGGING FAR BEHIND. Despite the bull market, seats on the N. Y. Stock Exchange look relatively cheap.p. 75

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BRAND NEW KIND OF LABOR TROUBLE. What happens to the money in a pension fund when a company dies?p. 42

DIVIDED LOYALTY. Rivalry for workers' loyalty backfires at Twin Pines dairy in Detroit.p. 45

ON THE 1954 BARGAINING FRONT: STEEL'S IMPACT IS UNEVEN SO FAR. And there is little chance that the pay increase there will set a pattern.p. 49

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HOW A BIG COMPUTER TAKES OVER. It's getting clearer what a computer can do for an office.p. 58

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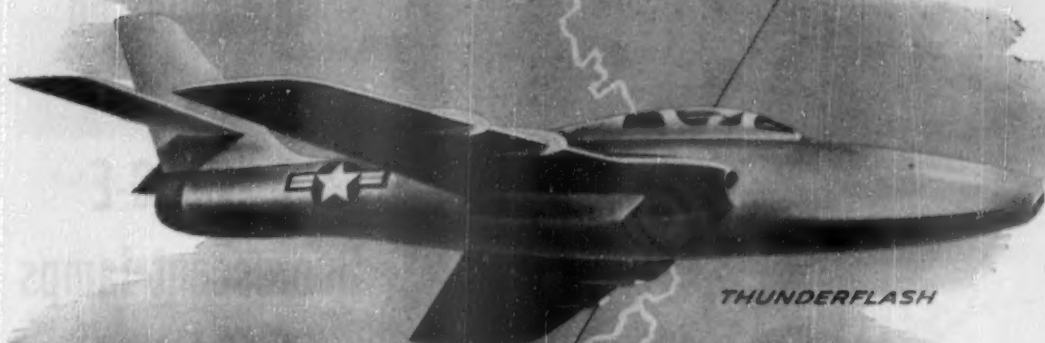
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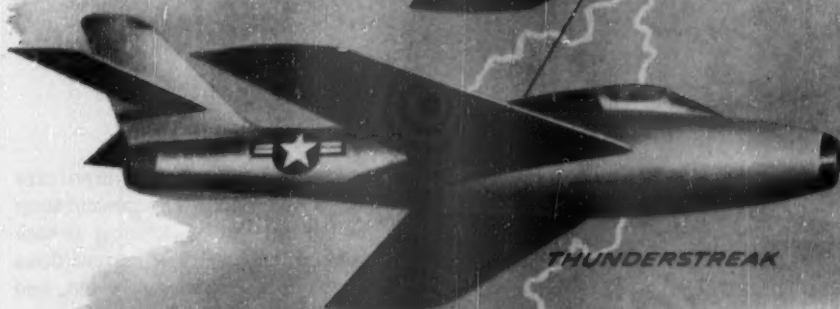
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SUPERIORITY...



THUNDERFLASH



THUNDERSTREAK



THUNDERJET



THUNDERBOLT

For more than a decade Republic has designed and built a succession of Thunder-craft fighters and fighter bombers for the U.S.A.F. which have proven without peer. >> The mighty THUNDERBOLT of World War II established a proud record in combat as the sturdiest, deadliest "work horse" of its time . . . the

THUNDERJET which earned its fame as a fighter bomber during the Korean War is maintaining its own fine position of leadership with our Air Force and our allies in NATO.

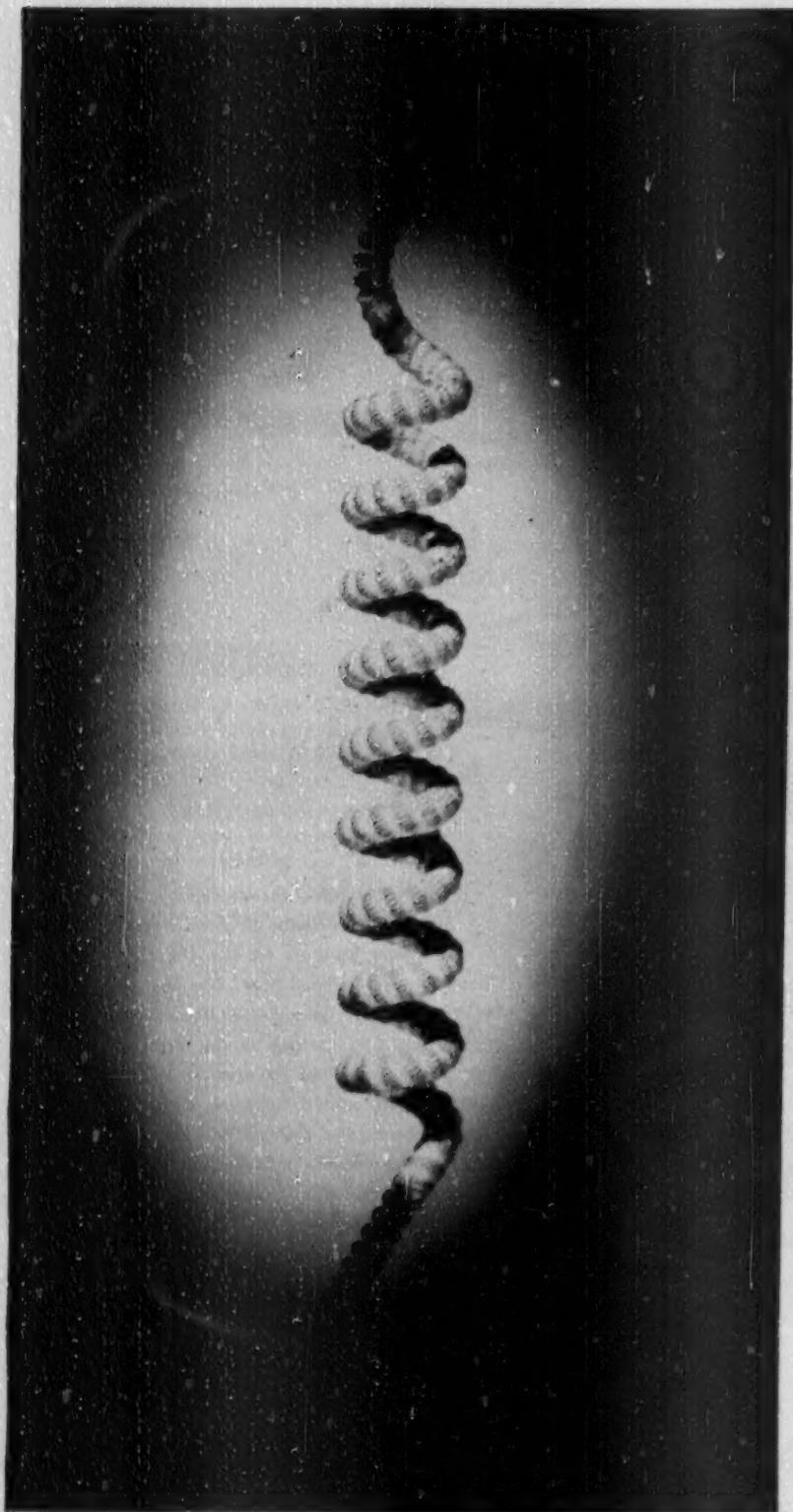
>> The new THUNDERSTREAK, now in service, and the THUNDERFLASH, its photo-reconnaissance counterpart, with an entirely new range of speeds and effectiveness emphasize that each product of Republic's know-how maintains superiority of performance in its field.

REPUBLIC AVIATION



FARMINGDALE, LONG ISLAND N. Y.

Builders of the Incomparable **THUNDER-CRAFT**



**New twist on
old idea
makes G-E
fluorescent lamps
last longer**

ONE of the most important materials in a fluorescent lamp is the little bit of chemical at each end of the tube. The current flows through it, electrons flow out, and the lamp starts to glow.

The old idea was to hold the chemical on a double-twisted wire coil. General Electric's new idea was to go that one better: give the wire a *triple* twist. This not only holds more chemical, it also holds it longer.

The result of course is longer lamp life and more light for your money.

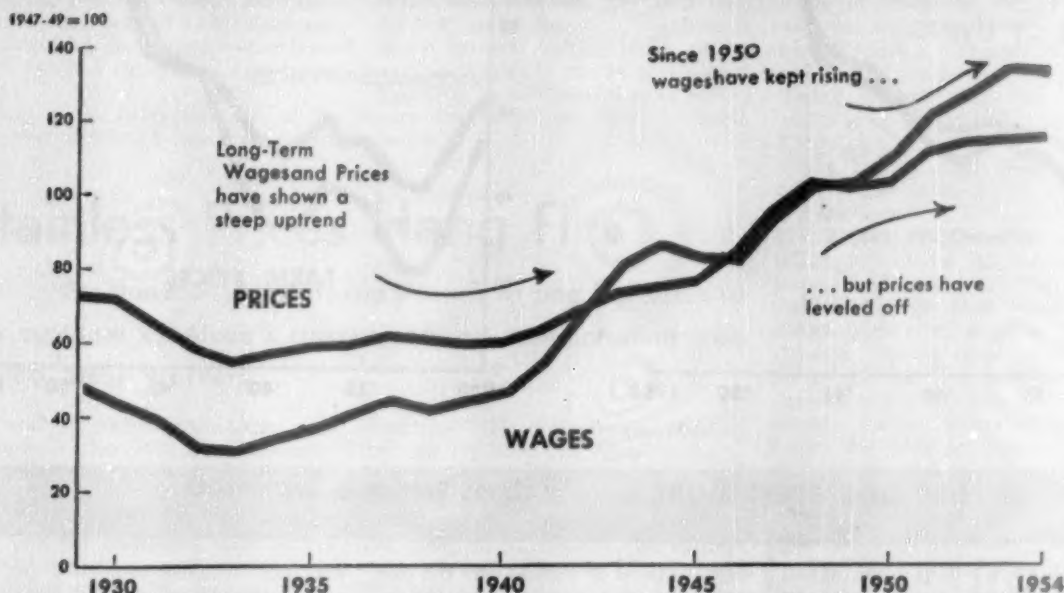
General Electric's triple coil is used in G-E slimline and other G-E instant-start lamps. Just one more example of why...

*You can expect
the best value from
General Electric
fluorescent lamps*

Lamp Division, General Electric,
Dept. 166-BW-7, Nela Park,
Cleveland 12, Ohio.

GENERAL  **ELECTRIC**

PRICES: Long-run rise, short-run stability



The wage line shows you . . .

Why Prices Won't Go Down

You could look at the chart above and never know the economy had just come through a boom and recession. Prices have remained stable for two years—something that hardly any businessman active today has ever seen. And the betting is that the price line will hold level for at least six months more, perhaps a year.

Three years of price stability, in the turbulent U.S. economy, is startling in itself. It becomes even more surprising when you trace the trend of prices, wages, and business activity during the past year. Ever since 1929, wages and prices have tended to rise and fall together, roughly in accordance with the nation's economic health. Going on past experience, you might have expected that the 1953-54 recession would bring a drop in commodity prices fol-

lowed by a drop in wages. But that isn't what happened. Wages continued to rise until early this year. Prices followed neither the rising wage line nor the sagging line of industrial production. Prices held steady.

What does all this mean? Is it the cherished goal of many economists—an ever-steady price level?

Probably not. But the fact that prices refused to drop during the recession could argue well for one controversial economic theory—the theory that there is now a permanent floor under prices. This would mean that prices cannot go anywhere but up.

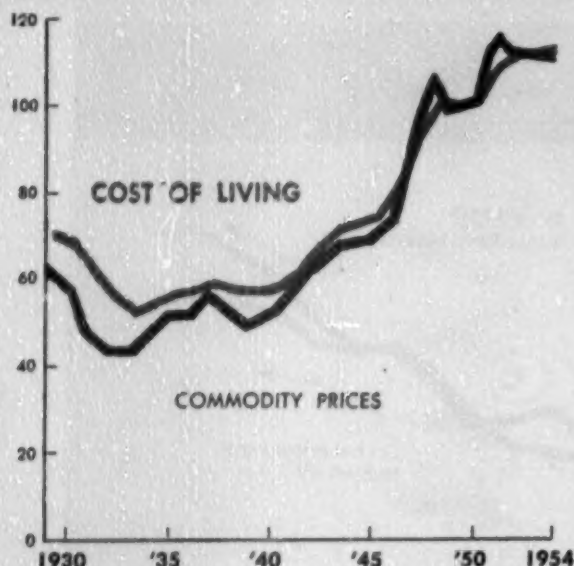
It seems likely, as many economic thinkers see it, that the present price stability is merely a short-term phenomenon. The long-term outlook is for a slow, steady rise.

• **Behind the Lines**—Economists who hold this theory point out that prices during the past two years have been less stable than they have seemed. There have been big ups and downs in specific items—fluctuations that have not been fully reflected in the indexes. For instance, rent and transportation costs have been rising steadily in the consumer price index, but these hikes have been offset by drops in food and apparel prices, so that the index shows almost no change.

Similarly, there have been major fluctuations in commodity prices. Farm products have been declining almost steadily over the past two years. But rises in distribution costs have kept consumer prices from declining to anywhere near the same extent, while the general upward trend of industrial commodities

Prices: They won't all move the same way

1947-49 = 100



1947-49 = 100



Retail prices are steadiest . . . Farm prices bounce

has masked the farm drop in the over-all index. In addition, economists point out, the list prices of many commodities are higher than the current selling prices.

• **Long Run**—Thus, rather than permanent, built-in price stability, this seems to be only a short-run steadiness—brought about partly by chance. The long-term tendency is toward slowly rising prices. There's nothing contradictory between the two. In fact, a free enterprise economy, subject to cyclical ups and downs, can hardly be expected to show both short- and long-term price stability.

To achieve long-term price stability, the decline in prices during a recession must be fully as large as the price rise during the preceding boom. Clearly, this is not what has happened. The flattening-out of prices over the past two years has left the price level above the height it had reached before the 1950-51 boom got going. When business starts going up from its present plateau, it is probable the price line will also rise from its new high level.

• **Wages**—But despite all the qualifications, there's no doubt that the economy now has a real measure of price stability. It is all the more impressive when you look at the steady increase in

wages received by workers over the past two years.

The rise in wage rates is a powerful force pushing the price level up over the long haul. But its inflationary impact has been partly curbed by increased productivity, which has kept prices from moving up as fast as wages.

The wage level itself has been the main force steadying prices during the last 12 months of decline. Constantly rising wage rates, and the costs of fringe benefits such as pensions and health insurance, have made business' cost structure extremely inflexible.

In the past, price cuts could be made quickly, and were almost always accompanied by sharp cuts in employment, production, and income. This year, employment and production were cut back, but the rigidity of costs maintained the level of income and prices, and limited the extent of the decline. There has been no lessening of competition; but instead of price cuts, competition has taken the form of greater selling efforts, improvement in products, and increased advertising.

Even the recent hike in steel prices, which followed on the heels of a wage boost for steel workers, will probably not have an inflationary impact on the general price level. That's because most

steel users—furiously competing—are absorbing the increase without passing it on to the consumer.

• **Government**—One other force holding prices steady in the decline has been the federal government. By stepping up purchases of strategic raw materials, putting props under certain farm prices, using tax deductions and unemployment compensation, it has had a stabilizing influence on the entire price structure.

• **Good Thing?**—In the long run, though, prices will tend to edge upwards because of the steady pressure of rising wage rates.

Is this encouraging or discouraging?

Many experts, including economists such as Harvard's Sumner Slichter (BW—Oct. 25 '52, p. 100), believe that a slow rise in prices is preferable to complete stability. He thinks that a 2%-to-3% increase in prices a year—equivalent to about a 45% drop in the purchasing power of the dollar over 30 years—would help insure the economy against severe or even moderate recessions.

As Slichter sees it, a rising price level is inevitable if we want full or nearly full employment and a continuing hike in living standards. He concedes that the pressure of trade unions to force pay increases in periods of nearly full em-

ployment is very great, exceeding the annual increases registered in productivity. There is, then, an inflationary bias in labor costs; but Slichter thinks that through wise government policy it can be kept from getting out of hand.

• **More Coming**—For the balance of this year, the outlook is for more stability. That does not exclude the kinds of shifts in specific commodities that have been going on all along. Farm prices, for example, will probably resume their downward trend, despite the fact that basic crop acreage is being reduced. But it's unlikely that these drops will be noticed by the consumer, because rising distribution costs will prevent any real change in current food prices.

And in the other direction, if the economy behaves as most economists

expect and shows an upturn this fall, prices may not react immediately. That's because the supply of goods has not fallen off sharply in relation to the demand for goods. And though wage rates have risen, industry has made large-scale investments in plant and equipment; the resulting gain in productivity should keep labor costs in line.

• **Ultimatum**—But there seems little chance of permanent price stability unless business can resist the constant wage demands made by labor. So far, industry has had only moderate success. When wage demands rise faster than the rise in productivity, you have a choice between cutting profits or increasing prices. With the government supporting a full employment policy, increased prices are the inevitable choice.

Stainless Prices Hang Fire

Steel industry apparently intends to peg increases to the outcome of Alcoa's current contract renegotiation with United Steel Workers.

Metal consumers this week were asking each other: Will aluminum prices go up before stainless steel prices are advanced?

If the answer is "yes," it will be a sign that the aluminum industry has attained new stature in the metals race. Its old-line competitor, the steel industry, would be according the light metal unusual respect by waiting to see what aluminum does before raising prices on stainless grades.

The steel industry certainly seems in no hurry to put through higher stainless prices on the heels of its recent boosts for carbon and alloy products (BW-Jul.10'54,p29). At that time, U.S. Steel Corp., the price leader of the industry, simply said that no changes would be made until further study. The study, according to Big Steel, is still going on.

• **Jitters**—But elsewhere in the steel industry there was some edginess about the relative competitive position of stainless versus aluminum, especially sheet and strip products.

One stainless producer said that in his company and others there probably will be no immediate changes in prices of flat rolled products, but there may be on bars, tubes, and other products. "However," he concluded, "we won't make any changes until Alcoa settles its wages and decides what to do about prices. That particularly holds true for flat rolled."

Another producer had this succinct comment: "We think prices should be raised. But we're just watching—in all

directions." He evidently was alluding to both Big Steel and Alcoa.

• **Pace Setter**—Aluminum Co. of America is the pace setter in the aluminum industry, just as U.S. Steel is the leader in its industry. Its current wage contract with the United Steel Workers union expires July 31. The two parties met last week, exchanged views, then recessed.

Negotiators may be called back this week with the likely prospect of reaching an agreement sometime next week. When the settlement comes, it is expected to follow the 10¢ package agreement in the steel industry. That is almost standard operating procedure.

It is also fairly traditional lately to follow a wage boost for aluminum workers with a general products price increase. Last summer, aluminum prices went up 1¢ a lb., reflecting the wage increase patterned after the steel hike a few weeks earlier. This year, the general feeling is that another price increase will follow any upward adjustment in labor costs.

• **More Competitive**—Aluminum has been making a good comparative showing this year with steel—and all other metals, for that matter. However, much of current production goes into a government stockpile and another sizable chunk is ticketed for the big military plane program. After those two factors are eliminated, the aluminum picture looks less rosy. Nevertheless, it is very attractive compared, say, to stainless steel.

Stainless business has been off sharply

this year, and is expected to continue so at least through the third quarter. One steel source said recently that business is "indescribably lousy," that they were getting very strong competition from aluminum and some other metals, principally in architectural markets.

• **New Markets**—Aluminum has been kicking a good bit of dirt in the face of stainless lately in the metal clad building field (BW-Aug.8'53,p29). There the light metal has shown up pretty well on a cost standpoint. For example, a square foot of aluminum sheet with 0.125 in. thickness costs 63¢. This compares with a 0.035 in. thick square foot of stainless that costs 79¢. If you add 25¢ to 35¢ to the aluminum cost though for anodizing, the total cost would be up to 87¢ to 97¢ (BW-Nov. 7'53,p82).

The biggest single stainless market today is auto trim. That's why in the first five months of 1954, 69,800 out of 175,279 tons net shipments were cold rolled strip. Even this business is in jeopardy. Detroit reports that the auto makers may go back extensively to chrome plate next year, and away from stainless. One big reason why the auto companies had forsaken plating for stainless trim is that they couldn't plate properly without plenty of nickel and copper for flash undercoatings. Now that those metals are more available, the way is open for another switch.

• **Pushing Stainless**—Stainless steel, of course, is competitive with carbon steel, too, on a large volume basis. And plastics offer further competition. But the competition with aluminum seems to have some special interest and gets some special attention. Steelmen say they are still trying to develop a market for stainless. It is relatively new compared to carbon steel and as far as tonnage goes, it is a 100-to-1 ratio in favor of carbon steel. Stainless, however, sells for about 10 times as much as carbon, and so its importance as a revenue producer is out of proportion to its tonnage.

• **Big Steel's Study**—Not long ago, U.S. Steel completed a three-year study on stainless sheet and strip. The resulting readjustments had the net effect of a slight price reduction over-all.

The real purpose of the study, however, was to develop true cost-price relationship for various grades.

Prices were revised both up and down, and some extras were changed, as well. The greatest price cut was 9.5¢, the greatest increase was 5¢. The price cuts covered products made on continuous cold mills. The increases came in sizes and grades finished on hand mills. Therefore, an across-the-board price increase for the same commodity at this time almost certainly would not be justified on a cost-price relationship alone. Competition would be a deciding factor.



PLAZA HOTEL in New York was the rendezvous last week for about 40 pre-World War I cars. Above: 1904 Curved-Dash Olds.



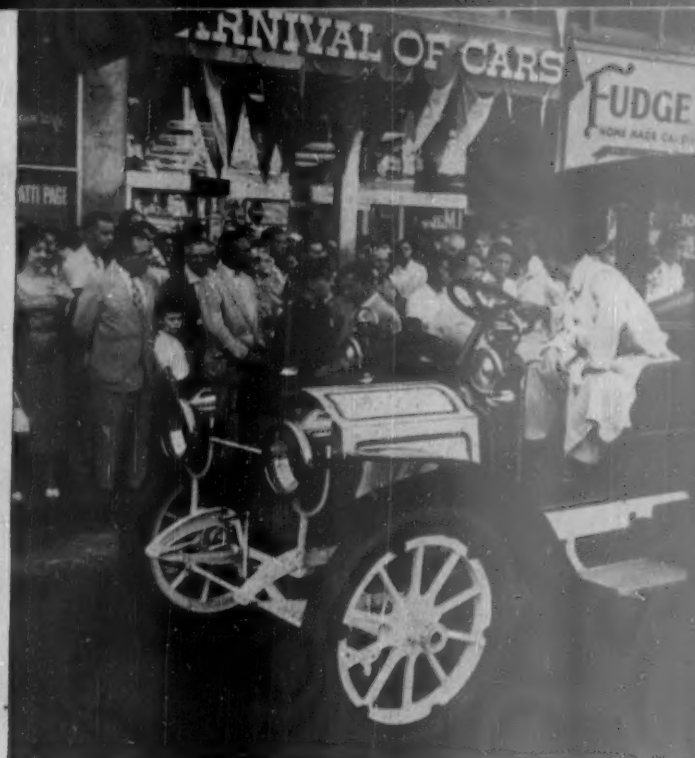
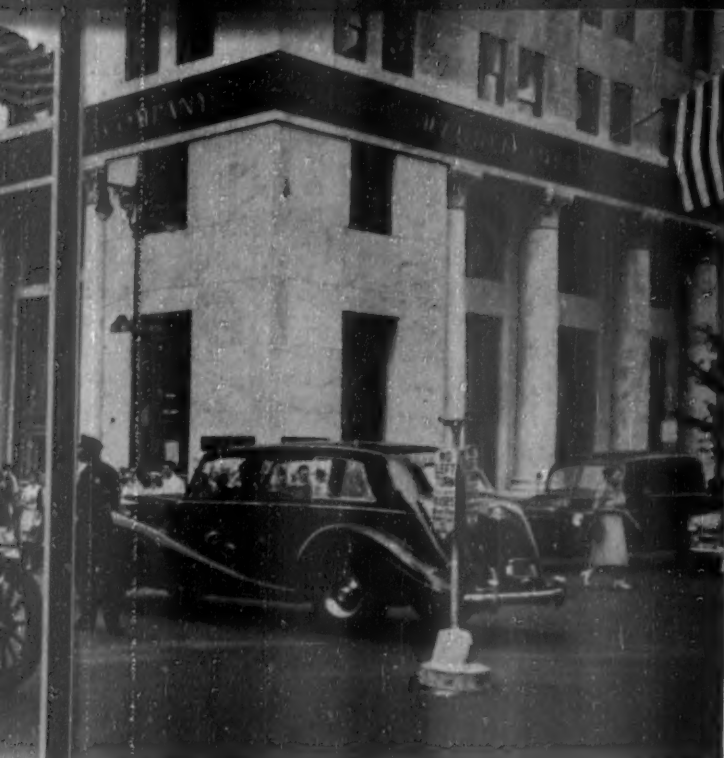
FIFTH AVENUE was next on the itinerary. Here, a 1908 Stevens-Duryea saunters past a modern Rolls Royce.



VISITORS to showplace showed eager curiosity. At lower left: old-time racing driver Joe Tracy.



CARS at the Times Square show will be changed frequently, to keep turnstiles clicking. Admission: 50¢ daytime, \$1 at night.



TIMES SQUARE was the last stop. The parade inaugurated the Carnival of Cars, where dollars roll in while . . .

Old Cars Make a Broadway Show

Last week, a medium-sized herd of antique autos gathered near the Plaza Hotel on New York's Fifth Avenue. The ancient machines proceeded down the avenue and, while citizens gawked from sidewalks and office windows, made their way to Times Square. They took a turn around the square and stopped. The Carnival of Cars, housed in the basement of the Astor Theater on Times Square, was officially in business.

• **Hobbyists**—The carnival was the idea of two New York City businessmen—Robert W. Dowling, president of City Investing Co.; and Henry Austin Clark, Jr., an executive of Cuban-American Sugar Co. Both these men are fond of old cars. Clark has a collection of 250, which he keeps in a museum on Long Island, N. Y. Dowling's collection numbers 12.

The two businessmen realized, not long ago, that the hobby of collecting and refurbishing antique cars is gaining popularity. Some 10,000 people in the U.S. now dote on some 20,000 pre-World War I autos, spending about \$1-million a year on rebuilding and maintenance. That being the case, Clark and Dowling mused, why not cash in on the enthusiasm?

Dowling's investment company happened to own a block of property on Broadway, including the Astor Theater

—the basement of which was idle. He and Clark spent nearly \$400,000 remodeling the basement and turning it into a museum for old automobiles. They charge 50¢ admission during the day, \$1 at night. They plan to change the cast of cars at least once every two weeks—by borrowing or renting cars from museums and individual collectors.

Capacity crowds on opening week made Clark and Dowling think they had hit on a bright idea. It seemed that even in the area of Times Square, crowded with just about every form of indoor entertainment known to man, there is room for something new to succeed. Last week's crowds in the Astor basement included not only collectors and admirers of old cars, but also a large percentage of the merely curious.

Clark and Dowling are counting on the curious to swell turnstile receipts. But visitors to the Carnival of Cars will probably always include a hard core of true old-car addicts. The feeling that there are many of these enthusiasts, and that their number is growing, is borne out by the fact that several new businesses have been formed to cater to them. Among these businesses is Antique Auto Shop, Inc., with headquarters in New Jersey, which rebuilds old cars.

• **Procession**—The parade of old cars

through the streets last week was led by an American-LaFrance fire engine (early 1900s), driven by New York's Fire Commissioner Edward F. Cavanaugh. Following this bizarre machine were some 40 other veterans of the highways. The drivers, most of them members of such antique car clubs as the Veteran Motor Car Club of Boston and the Antique Automobile Club of Philadelphia, were dressed in costumes of the same vintage as their cars. Behind them, in many cases, sat girls in bathing suits, who had been supplied by theatrical press agents.

While some onlookers on opening day greeted the old cars with hoots of derision, others viewed them with nostalgia and reverence. One oldtimer present was Joe Tracy, who broke a speed record in 1906 by driving a Locomobile over 100 mph. Said Tracy, caressing the sturdy fender of an 1890 Benz Gasmobile: "Great piece of engineering. These cars had character, individuality."

• **Museums**—The Carnival of Cars on Times Square is not the only old car museum in the country, but—according to Clark—it is the only one that changes its cars every two weeks. Among other antique auto showplaces are the Thompson Products Museum in Cleveland and the Chicago Museum of Science and Industry.



China's Chou



France's Mendes-France



Russia's Molotov

RED SQUEEZE ON FRENCH INDO-CHINA MEANS . . .

West Pays a Price for Peace

This week at Geneva, the Communists chalked up another victory in their drive for control of Asia. The loss of Indo-China is a smaller version of the defeat the West suffered in China itself when the Reds took over there (Special Report, page 92).

This doesn't mean that the Communist tide will now roll right on. The shooting, probably is over in Southeast Asia for some time ahead. There's real significance in the fact that the Communists signed a truce even though they had the military strength to overrun all of Indo-China. Clearly Moscow and Peking didn't want another Korea-type war. That would have taken a big economic toll in Red China and brought the risk of all-out war with the United States.

From now on you can expect Red China to push its aims by other methods than fighting.

• **Shift of Focus**—It's likely that world Communism will now shift its pressure to Europe. At Geneva, the French did fold pretty completely on Indo-China. But they did not give an inch on their ties with the North Atlantic Alliance; Molotov had expected they would. His disappointment on this score probably will be reflected in a new campaign to divide the West.

The Russians can still exploit the German situation. It looks as if they are

preparing a new attempt to unify Germany on their own terms. Molotov, who master-minded Geneva for Red China's benefit, now wants something for himself.

Even so, there could be a period of relative calm in East-West relations. It may seem for a while as if the boundaries between East and West have been stabilized, as if we had entered the period of "peaceful co-existence" Prime Minister Churchill has been talking about. And it may be true. But if the West becomes complacent as a result, the Communists will hit us again, perhaps even harder than in Indo-China.

• **Terms and Realities**—The cease-fire agreement came at Geneva just on Premier Mendes-France's deadline. It stuck pretty close to the terms the French premier and Chou En-lai had worked out three weeks ago. Its main provisions are:

- A partition of Vietnam at the 17th Parallel;
- Elections throughout Vietnam within two years;
- Neutralization of Laos and Cambodia with the Communists getting a slice of northern Laos;
- A cease-fire commission composed of India, Canada, and Poland.

On the surface, the partition arrangements may look like the partition of Korea at the 38th parallel. In fact,

there is not likely to be much resemblance since the Vietnam state in the south has little chance of survival (page 110). So probably all it will do is provide cover for a gradual French withdrawal from Indo-China. Laos and Cambodia don't have much chance either; there doesn't seem to be any way they can be brought under the protection of the proposed Southeast Asia defense pact (SATO).

I. Red Goals in Asia

You can be sure Red China's ambitions don't stop with the victory in Indo-China. Peking undoubtedly aims to bring all of Southeast Asia gradually under its domination. Chou En-lai gave something of a preview of his long-range program when he recently visited New Delhi and Rangoon.

He aims for an all-Asian coalition against the U. S. based on the theme of "Asia for the Asians." His methods: Communist infiltration of the governments and armies in Southeast Asia, especially in Indonesia and Burma; training of Southeast Asian youths in Red China; blackmailing of the overseas Chinese, who dominate much of the commercial life in the area.

• **Western Answers**—Communist success will depend on how effectively the West counters Peking's moves.

Right now the U.S. is counting primarily on SATO to do the job. A lot of preliminary work has been done on this defense pact by military experts from the U.S., Britain, Australia, and New Zealand. But SATO won't come into being overnight. Meanwhile, Thailand will be our one firm military position in Southeast Asia. The Thai army is now being strengthened.

In any case, SATO alone won't do the job. It's no answer to the cold war tactics Peking is planning. To meet these, the West needs to develop a political, economic, and social program for each of the countries threatened by the Communists. This way, for example, we could bolster up the government of Burma, which is strongly anti-Communist and more inclined than any other among the neutral states of Southeast Asia to cooperate with the West in checking Communist encroachment.

II. Maneuvers to Come

In the next few months, though, it may be Communist maneuvers in Europe rather than Asia that call most urgently for Western counter-action.

• **Angling for Germany**—Molotov may soon launch his propaganda drive for a new Berlin conference on Germany. Even if he can't pull off such a meeting, he can prepare the way for direct Soviet-West German talks on German unity, from which the U.S. would be excluded.

Molotov will stick to this policy whether or not West Germany gets its sovereignty this summer and a green light to rearm. Moscow operates on the assumption that West Germany, once sovereign, will strive even harder for unity. And the Russians are prepared to encourage this by promoting closer trade and cultural relations between East and West Germany. Ultimately Molotov expects to establish direct diplomatic relations with Bonn—and then to make the same kind of close contacts with the new West German army that the Soviets had in the 1920s with the Reichswehr of the Weimar Republic.

Today, this may look like a far-fetched idea. But it could become a reality unless the U.S., Britain, and France can take the initiative again in Germany.

• **Western Hopes**—There is hope that Mendes-France will continue, though by different methods, the basic policy for French-German reconciliation sponsored by Foreign Ministers Schuman and Bidault. The new French premier can probably get the French parliament to approve West German sovereignty before its mid-August recess, and later put through an amended version of the European Defense Community. He is riding on a tremendous wave of popularity now the Indo-China war is over.

That may not be enough to match the Soviet game in Germany. To keep West Germany firmly tied to the Western alliance, the U.S. and Britain need to develop a policy that will achieve this purpose: to convince the German people that their unity will finally come from the West rather than from the East.

• **Middle East Reactions**—As for the Mediterranean and Middle East, Moscow already is trying to exploit the

Indo-China victory in that area. But so far it hasn't had much success. Iran has just rejected a Soviet protest against Teheran's plan to adhere to the U.S.-sponsored Turkish-Pakistan defense pact. At the same time, Egypt has told Moscow to keep its nose out of the pending Anglo-Egyptian agreement on the Suez. What's more, Italy and Yugoslavia are moving toward a Trieste settlement despite violent protest from Moscow.



Fire, Chain Blasts That Killed 11 ...



... Leave Fireworks Plant in Ruins

Industrial safety experts this week were trying to learn something from the wreckage of the Chestertown (Md.) fireworks and munitions plant where explosions—killing 11 and injuring about 50—sent residents of the town scurrying for the countryside. The 90-min. disaster leveled many of the buildings of the Kent Mfg. Co., which makes detonator fuses and training shells for the U.S. Army. Witnesses said there was no warning of the mysterious explosion that started a chain reaction on the 30 buildings on the 25-acre site—many

of them containing bundles of fireworks. When the smoke cleared, 22 of the smaller buildings—most of them shed-like structures about 15 ft. square and spread out for safety's sake—had disappeared. Many had housed lead azide, a nitroglycerin compound used in detonator fuses.

This week, the company announced that it will not rebuild the plant, and that it has no plans for relocating in another town. P. G. Wilmer, president of Kent, said that what was left of the plant would probably be sold.

Embattled TVA

Public power backers in Senate bristle at Eisenhower's move to let private steam plant enter the area.

To men who believe in public power, the Tennessee Valley Authority is a citadel that must be defended at all cost. That's why the Eisenhower Administration and the Senate Republican leadership ran into really heavy going over a new power contract for TVA.

At midweek, public power senators were sparking an incipient filibuster that threatened to snarl up a big chunk of the Administration's legislative program. And they were meeting Administration overtures to compromise.

• **Regional Rule**—To the TVA senators, the issue is clear. They are fighting to head off a power supply contract that would let private utilities pick up a share of TVA's power load. It is the first real challenge to the New Deal's full-scale dominance of regional power development. The contract proposed by Edgar H. Dixon and E. A. Yates, who head Middle South Utilities, Inc., and the Southern Co. respectively, calls for a 600,000-kw. steam generating plant right across the river from TVA's Memphis service area. TVA would use this power to bolster the needs of its own system instead of building a plant of its own.

The complicated Dixon-Yates proposal appears to be right down the line with Republican power policy aimed at shifting more power activities from federal to local and private shoulders (BW—Jul. 18 '53, p. 34).

• **The Setup**—The Administration deal would work like this: TVA is now committed to deliver some 1.2-million kw. to the Atomic Energy Commission's gaseous diffusion plant at Paducah, Ky. At the same time TVA is running short of power 160 miles downstream at Memphis and wants to build a big steam plant at Fulton, Tenn., to take care of its industrial and residential customers.

To head off construction of this new TVA plant, the White House directed AEC to shift some 600,000 kw. of its Paducah power load from TVA to private utilities. Two utilities—Middle South Utilities, Inc., and the Southern Co.—have offered to build a plant at West Memphis, Ark., to feed the 600,000 kw. into the TVA system where it is needed most. TVA would continue to serve AEC its full commitment, but AEC would pick up the check for the power that the private utilities feed to TVA.

TVA senators want the Administra-

tion to sidetrack the contract and let TVA go ahead with its proposed Fulton plant—for which Congress has failed time and again to provide the money.

They got their chance to move in when the Senate brought up the big new atomic energy bill, which would foster industrial development of atomic power and permit freer exchange of nuclear materials and information with foreign countries. The bill, an overhaul of the 1946 McMahon Atomic Energy Act, would continue AEC's authority to enter into long-term power contracts. The TVA senators headed by Albert Gore, Tennessee Democrat, want to limit this authority so as to rule out the proposed Yates-Dixon contract.

• **Cooper's Position**—Last week Gore picked up important support from Sen. John Sherman Cooper of Kentucky, the only Republican senator from the TVA area. Cooper, who is fighting for his political life at the next election against former Vice-Pres. Alben Barkley, opposed the contract on technical grounds. He said that AEC had no authority to purchase power for use in the TVA system, and that AEC would be usurping TVA authority if the contract were consummated.

Cooper suggested studying alternative methods of meeting TVA loads. One alternative would be to permit the agency to finance its generation expansion by issuing revenue bonds. If this got sufficient Republican support in the Senate, it would be one possible way of heading off debate on the atomic energy measure.



Rooftop 'Copter Port

This building is Douglas Aircraft Co.'s design center at El Segundo, Calif. The company's engineers use a helicopter to visit test areas and other Douglas plants. For parking space, they use the El Segundo rooftop.

News Switch

Businessman gets control of tabloid Philadelphia News, and city looks for hot time for two top dailies.

Philadelphia newspaper circles are buzzing these days. After seven long years with only two large-circulation papers, the Quaker City now appears on the verge of getting a third big-time daily.

Prospective competitor for the morning Inquirer (circulation 640,000) and the evening Bulletin (circulation 714,000) is the tabloid Daily News—no newcomer to the scene but up to now never more than an also-ran. Founded in 1925, the News has been noted chiefly for its attention to crime news and pictures of bathing beauties. It never made much of a splash, and only recently achieved a circulation of 150,000.

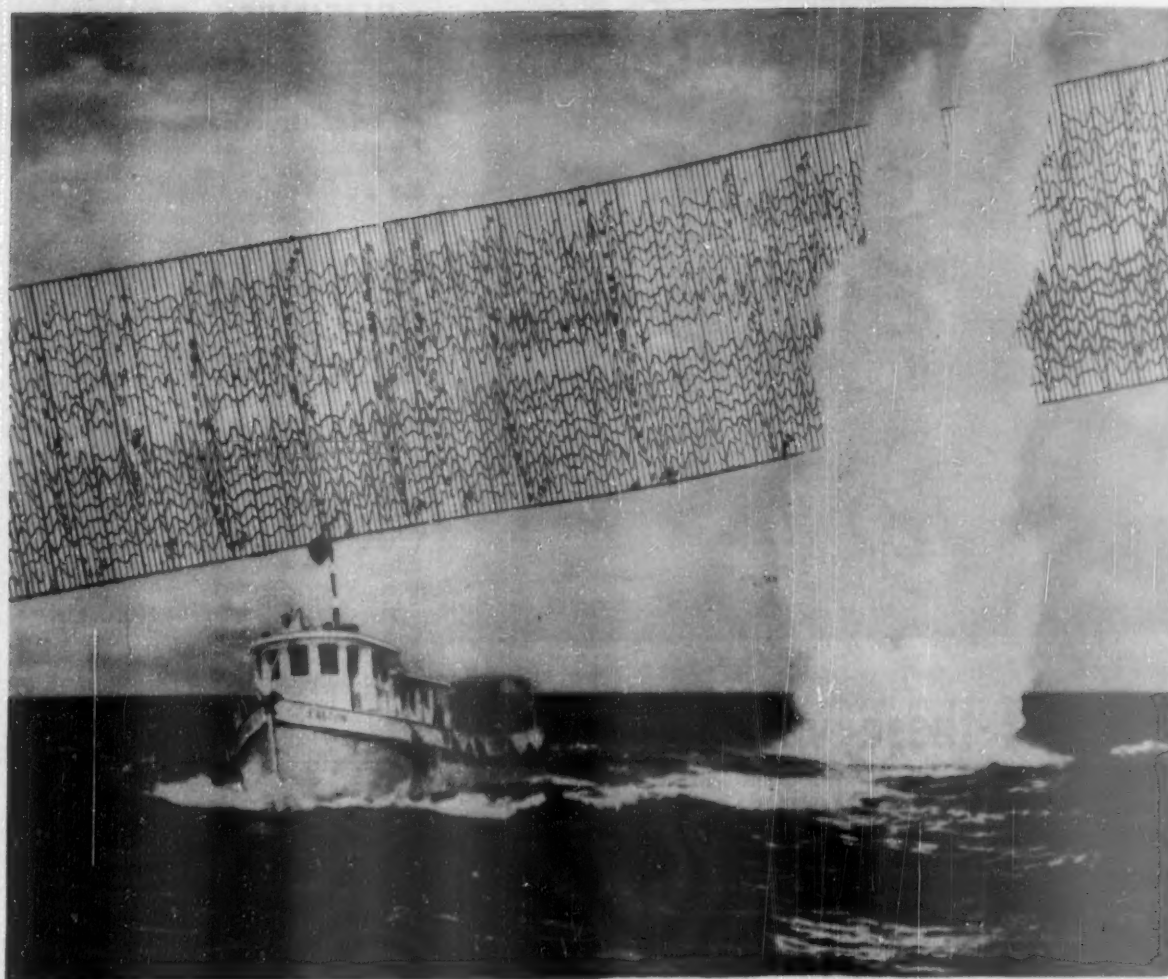
• **Purchase**—What has local newsmen excited is the purchase by Matthew H. McCloskey of what amounts to a controlling interest in the News. McCloskey, who amassed a fortune in the construction business, looks like just what the doctor ordered for the News. The paper has been a shoestring operation for most of its 29 years. As one veteran editor puts it, "Just getting McCloskey's name attached to the paper puts it into a good financial position; he has money, and he knows how to raise it."

Details of the stock purchase have not been revealed. Most plausible report is that McCloskey bought perhaps 10% of the outstanding stock, then formed a voting agreement with the widow of the founder, Mrs. Lee E. I-maker, who owns about 45%.

• **Plans**—McCloskey is in the driver's seat, and makes no secret of it. His plans: "We are going to make a real newspaper of it. That means hiring additional staff and probably buying some new equipment."

At least for the time being, the News will remain a tabloid, continue to print five editions between 8:15 a.m. and 3:30 p.m. Some veteran newsmen think its best opportunity is in the morning field. They claim that neither the News nor the thriving Inquirer has ever captured much of the 250,000 circulation of the old morning Record, which folded in 1947.

The Record was strongly pro-New Deal editorially, and Philadelphia newsmen have McCloskey's political views pegged as much the same. Until the change, the News had been bitterly critical of the Democratic administration of Mayor Joseph S. Clark, Jr., a close friend of McCloskey.



"Shooting" for sunken treasure

Down off the Texas-Louisiana coast, Sinclair's sea-going scientists blast for signs of "black gold." The shooting boat explodes a charge and the reflected sound waves are recorded by seismograph. From a correlation of hundreds of such records, favorable locations, where oil may have accumulated, are revealed.

This is but one method Sinclair uses to explore both land and sea in the never-ending search for new oil sources.

The exploration not only includes nearly twelve million acres of leases held by Sinclair, but also involves areas where additional leases

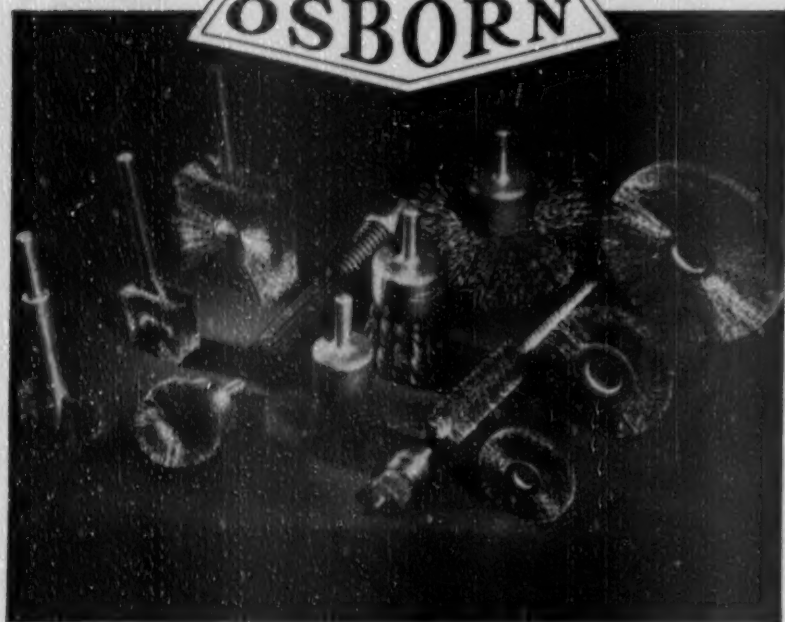
may be acquired later . . . as along the Gulf coast, where a competitive search is being carried on.

This far-sighted exploration program, employing the most modern scientific methods, is another reason for Sinclair growth and leadership in the highly competitive petroleum industry.

SINCLAIR
A Great Name in Oil

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OSBORN



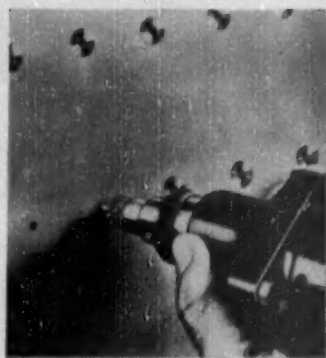
Which of these versatile brushes will cut your costs?

Hard-to-get-at jobs are simplified . . . costly hand operations are eliminated . . . when you switch to one of these special-purpose Osborn power brushes.

These versatile wire brushes are just a few of the complete Osborn line of power brushes for every need. Your Osborn Brushing Analyst will gather necessary facts in your plant . . . study your production equipment and recommend the most efficient, economical power brushing techniques.

The small Osborn brush shown in operation enables one man to do the work of seven men. Output per man went up 700% in this aircraft application of removing zinc chromate priming from around rivet holes in wings and fuselages. Formerly this job was done by hand with small sandpaper discs.

Such results are duplicated every day by Osborn Brushing Analysts. They can solve your brushing problems of product cleaning, burr removal, roughing, polishing or finishing with similar startling economies. For complete information at no cost, call your nearby Osborn representative or write to The Osborn Manufacturing Company, Dept. A-42, 5401 Hamilton Avenue, Cleveland 14, Ohio.



Osborn wire brush, automatically located, removes zinc chromate from around rivet holes in aircraft production.

Osborn Brushes

OSBORN POWER, MAINTENANCE AND PAINT BRUSHES AND FOUNDRY MOLDING MACHINES

BUSINESS BRIEFS

BOAC buys American: With its jet Comets still grounded in the doghouse, British Overseas Airways has decided to pick up more Boeing Stratocruisers and Lockheed Constellations to handle passenger flights in the interim. But the embarrassing setback for British plane making may be only temporary: The much-heralded Comet III is reported to have successfully passed its flight tests. Meanwhile Boeing's jet contender, the 707, has been insured for \$6.5-million, with \$4.5-million of it placed in London.

Harsh medical words aimed at cigarettes didn't hurt the second-quarter showings of two tobacco majors. American Tobacco Co. said unit sales of cigarettes were up 9% over the first quarter. Net profits were \$1.56 a common share, equal to the 1953 period and well above the first-quarter \$1.26. . . . Liggett & Myers per share profits were down for the second quarter, but only by 6¢ from the previous quarter's \$1.26.


Business failures (BW-Jul.3'54,p64) for the week ended July 15 hit 226 against 196 in the previous week, according to Dun & Bradstreet. In the 1953 week it was 148, in 1952 only 103. This year all trade groups except manufacturing showed an increase.

RCA's color TV entry will be shown Sept. 15. It's a 21-in. tri-color picture tube: RCA says the 250-sq. in. area will be 22% bigger than that offered by the 19-in. Hytron color tube now being produced by CBS (BW-Jul.17'54,p93).

Continental Air Lines will be allowed to merge with Pioneer Air Lines, if the Civil Aeronautics Board follows the recommendation of its hearing examiner.

U. S. stockpiles are still far below target size for domestically produced tungsten, manganese, chrome, mica, beryl, asbestos, and columbium-tantalum, according to General Services Administration. The government continues to press its drive to increase home production of all seven metals and minerals. At the same time, titanium sponge has been added to the stockpile list; hitherto, production has been too small to permit accumulation.

It must be hot: July retail sales of Frigidaire room air-conditioning units are nearly double the rate for the 1953 month. The company says sales were disappointing in the spring but spurted when temperatures soared in mid-June.



Link-Belt Model K-595 dragline working for Strasburg Clay & Coal Company near Baltic, Ohio. Rig has 3½-yard bucket, 80-foot boom.

"Doubles cable life – cuts operating costs"

THAT's what Edward "Rusty" McGinness, owner of the Strasburg Clay & Coal Company, reports after 5000 hours' tough stripping with his TORQMATIC-equipped Link-Belt dragline.

And with the Allison TORQMATIC Converter automatically absorbing shock loads he's kept repairs to a minimum—only \$24.00 in replacement parts on the drag, no repairs to the converter. The rig strips 100 tons of coal a day, uses 6 gallons of low-cost Diesel fuel an hour.

At first, Rusty was skeptical about having a TORQMATIC Converter. Now he calls it the "best unit ever made for a rig." And he should know—he's been in the coal business 15 years, has run every kind of mining equipment. Rusty reports the torque converter automatically protects cables, boom and engine from damage by absorbing sudden shocks.

There's a TORQMATIC Converter for a wide range of hard-working units from 40 to 400 horsepower. TORQMATIC DRIVES, the *matched* converter-transmission team, cut costs and boost production in trucks, scrapers, and other big equipment.

Many operators have converted their direct-drive units to TORQMATIC DRIVES to get better performance and longer equipment life. Ask your equipment manufacturer or dealer about Allison TORQMATIC DRIVES in your units. For engineering details and specifications, write direct.

Allison Division of General Motors
Box 894B, Indianapolis 6, Ind.

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Compact, easy to install in existing equipment

Designed for power applications in the 40 to 400 hp range

Longer Equipment Life — absorbs shock, eliminates engine lugging, cuts maintenance costs



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TORQMATIC DRIVES

COMPACT, EFFICIENT HYDRAULIC DRIVES FOR CRANES • TRUCKS • TRACTORS •
SCRAPERS • SHOVELS • DRILLING RIGS



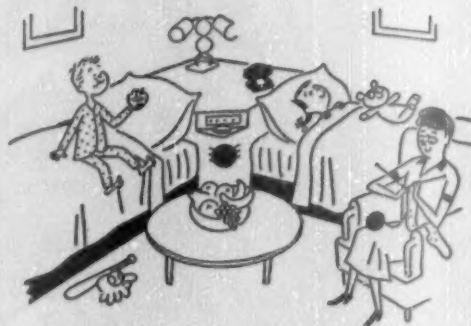
1. "We're Will and Winnie, touring kids, and here's our Mom and Pop. We had to bring them both along—but we pick where to stop. We like the Statler services for tourists much the best. Besides, they make each traveler feel he really is a guest."



2. "The Statler's in the heart of town—that makes it extra grand. We get to see and do a lot, for everything's at hand. With lots of things it's fun to do and lots of things to see. I think it's pretty swell," said Will. Said Winnie, "I agree!"



3. "Hooray," cries Will, "this menu has the things we like to eat. And special plates and silver, too. Say, kids, the Statler's neat! They even give us big balloons. Think Pop would like one, maybe? And Mom says they fix formulas . . . but we don't have a baby."



4. "We like the Statler's gift of fruit. It's special—just for us! And wait till you try Statler beds—they're super-marvelous! What's more, we let our parents leave to have some fun at night. The baby sitter Statler gets will watch while we sleep tight."



5. Now Will and Winnie shout: "Good-by! We've had a lovely stay!" The box lunch mother ordered fixed is safely packed away. Their car's delivered to the door. The kids let out a cheer . . . "When traveling with your parents—always bring your parents here!"

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DALLAS (Opening Fall, 1955)

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 24, 1954



Sharp-pencil politicians are refiguring GOP prospects. The outlook of a few months back, when most forecasters gave the Democrats the edge in House and Senate, is being revised. The Democrats still are favored in the early bookmaking. But the odds are shortening and may shift.

What usually happens in off-year elections is that the party in power loses seats in the House and Senate. Anything like a normal turnover—a loss of 50 seats in the House, six in the Senate—would be a big jolt to Pres. Eisenhower. His margin is four in the House, one in the Senate.

—•—
The reasons behind the second-guessing, the changes in the picture: The halting of the business slide-off, with signs now on the side of a pickup before the elections in November.

The easing of the down-pressure on farm prices, due to the weather more than to GOP policy. It makes support levels less of an issue.

Then, there's the peace appeal. Eisenhower brought an end to shooting in Korea, and we didn't get involved in Indo-China fighting. True, neither deal is regarded as satisfactory; the Reds made gains against the West—us. But there's no organized maiming and killing—a political asset.

—•—
The Democrats reflect depressed spirits. Their plan, until now, had been based on rising unemployment ("the GOP is the depression party"), sliding farm prices ("the GOP is for big business, not for small farmers"), and mishandling of foreign policy (unpopular war in remote countries). And on top of it all, Democrats expected the GOP to be against social legislation. But things aren't working out to fit the Democratic plans. The campaigns for House and Senate seats will depend more on individual personalities than on issues that can be called national.

—•—
Eisenhower will stump for GOP candidates. He's still rated as more popular than his party (outran the party in 1952). He will go in, take a hand in close Senate and House races, in many states.

He will hit the Northwest, make quick trips into Washington and Oregon from his vacation spot in Colorado. He will hit the Midwest, too.

It will be a sort of state fair campaign, with off-the-cuff talks. Watch the Illinois fair for the President's view on the business outlook. His advisers are putting together a major economic appraisal—optimistic.

—•—
The GOP has taken over Democratic thunder on many issues. The record, a source of dismay to many of the outs, is this:

Social Security, which the Democrats introduced way back in the 1930s, is being broadened—more people covered, with bigger benefits.

Vocational rehabilitation, another Democratic starter, is on the list of things the GOP is doing on a bigger and better scale.

So are public health services, with a bigger voice for the states in the spending of federal money.

Aid for school construction is a good bet. It's another case where the Democrats charge the GOP opposed them, then grabbed the political ball.

—•—
A Democratic politician complains: "We started all of these benefits; the Republicans opposed everything, from Social Security down the line.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JULY 24, 1954

Now the Republicans are expanding everything, voting more social benefits, from one end to the other. This is something new in the political picture. We could lose where we should win."

—●—
Eisenhower hopes to cut the GOP in on Democratic city votes. The rule heretofore has been that the Democrats piled it up in the working towns, which meant that the GOP had to depend on the more or less rural vote outside the Democratic South. Eisenhower wants to change that.

The stand on farm price supports is an example. The determination to get away from the high, rigid, and expensive supports at 90% of parity is aimed at the city workingman. The idea is that food will cost less if Washington lets farm prices ease down. The theory may be working.

There's concern over this among the Democrats. Take Sen. Hubert Humphrey of Minnesota. He's a hot New Dealer. On the farm issue, he's for 90% supports, at least. He has tested his stand with voters in his state. He says he's stronger with farmers than in the past, but weaker in the cities.

—●—
It will be a close decision, no matter how you figure it. The result will be more important in terms of the 1956 Presidential election than in its influence on the next Congress. The Democrats figure that if they win the House and Senate, they will have Eisenhower stopped and will have set the stage for a White House victory in 1956. For the next few months, you had best look at what happens in Washington with an eye to politics.

—●—
Individual income tax relief in the bill about to be voted:

Support of dependents: Under the old law, if three or more persons together supported a parent, no one could claim "support." The new law allows one deduction—supporters may take turns claiming it.

Foster children and relatives cared for in the home become dependents, regardless of blood relationships. That's a liberalization.

On expenses for the care of children of working parents, there's a big break. Wives and husbands with \$5,100 of combined income don't qualify for any relief. But widows and widowers can take up to \$600 in yearly deductions for baby sitting, regardless of income.

—●—
Parties to broken marriages get a break. The new law makes payments under separate maintenance agreements and similar settlements deductible, also—just as alimony.

An exemption for retirement income is provided in the tax revision bill. The first \$1,200 of annual retirement benefits will pay no federal tax, whether it is financed by Social Security or a private pension plan.

—●—
Washington takes small comfort in Indo-China. The official position is that the Reds should have nothing—no gains in area. The truce, however, recognized the conquest made by the Reds.

A big war still is a danger. If the Reds take another conquest step, we will have to decide whether to move in. Most officials still talk of a holding action. But the thing to remember is this:

Secy. of State Dulles' policy is massive retaliation. The U. S. had to forget it in Indo-China. There were no allies to go along. But it's still policy. The next showdown could be with bombs, not bargaining.



arteries are vital in plants, too!

Some one has said that piping is the arterial system in a plant. Often it's a complicated system of piping that must safely carry air, steam and liquids at temperatures ranging up to 1050° Fahrenheit and pressures as high as 2100 pounds per square inch.

It's this type of system that Blaw-Knox can readily handle, from original engineering to final erection . . . in power plants, public utilities, steel mills, oil refineries, chemical plants, paper mills, in fact throughout all industry.

On any job you place with Blaw-Knox, you'll get the benefit of thirty years technical know-how and practical experience in this field.

You'll gain the advantages of modern shop facilities for hot and cold bending, welding and fabricating. A metallurgical research laboratory to provide

the latest developments in steel and alloy piping. The newest types of testing equipment to insure soundness and strength of the piping under the most severe operating conditions. Plus a complete service force, equipped with modern machinery for field erection.

Providing the arteries for industry is only one of many accomplishments of Blaw-Knox research and engineering which enable industries to improve production, reduce costs, make a better product.

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Automatic Fire Protection Systems
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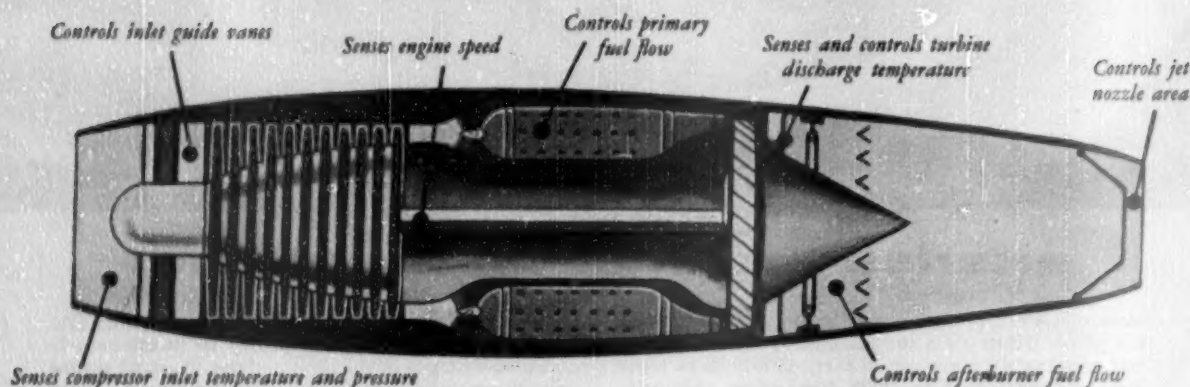
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A 10-MILE HEAD START

Here's what the new Honeywell system does



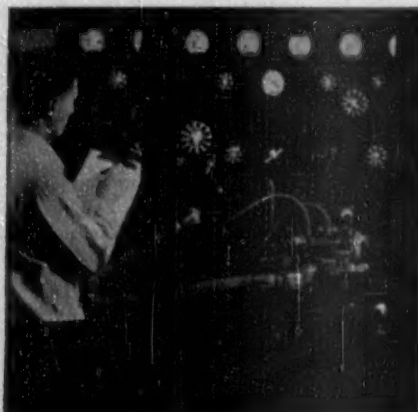
Today's more powerful, more complex, jet engines require a control system that is truly co-ordinated. The new Honeywell electro-mechanical control system is the first system to meet this need. To put it into operation, a pilot merely advances the throttle to the desired power setting. Each controlled engine variable has a wide range, and yet at a given altitude, speed and power setting, only one combination will give optimum efficiency. For any given power setting, the Honey-

well Control will provide a constant percentage of available thrust. Derived from the master system are seven sub-systems and components which may be ordered and used separately to meet specific engine needs if a problem does not call for the complete system. These are the Jet Nozzle Area Control, Temperature Over-ride System, Temperature Trim Control, Temperature Indicating System, Inlet Guide Vane Control System, All-Speed Sensor and Hydraulic Servo Valve.

The most thorough electronic analog computer tests (below) in engine control history were conducted on the new Honeywell jet engine control system. It is now being given its engine tests by the Air Force.

Honeywell engineers were able to draw on years of experience in aeronautical research, design, testing and production. The test equipment shown below was used in conjunction with the computer at left.

The essential parts of the system on a mock up of an engine shell: Engine-driven components, right foreground. Magnetic amplifiers and calibrators, left foreground. Main control castings, background.



Now—with the new Honeywell jet engine control

FOR OUR JET FIGHTERS

*New Honeywell electro-mechanical control system gets jets off
the ground faster, makes them super-performers in the air*

How far from the target area can attackers be met? The answer to this question is a vital factor in determining the success of a jet fighter defense.

Every mile such distance can be increased is a crucial mile. Which is a reason why development of the new Honeywell jet engine control system is important.

This system will make it possible for our jets to start faster—get into the air 30 to 45 seconds sooner than with any other control system. With this head start, our jets will be able to meet supersonic attackers 10 miles farther out. That's what a few seconds advantage means at jet speeds.

The new Honeywell jet engine control is a co-ordinated automatic electro-mechanical system. It utilizes the speed and sensitivity of electrical computers to position the mechanical control elements of the engine.

Beside speeding take-off, it controls the functioning of a jet engine in flight in much the same way the nervous system controls the human body—co-ordinating, adjusting, making sure of proper operation under constantly changing conditions.



How the new Honeywell system controls all jet engine variables is explained with the diagram at left.

First completely packaged electro-mechanical system

Components were engineered to work together as a system. No longer will engine builders have to piece together "hybrid" systems from components of vary-

ing manufacture. And because this new self-adjusting system senses conditions within the engine, it can give more accurate control and faster response than any purely mechanical system.

Weighing under 70 pounds, the new Honeywell system is a flexible system adaptable to any turbo jet engine. It offers maximum reliability through the use of rugged magnetic amplifiers. It also will compensate for wear over the life of an engine by continually sensing and correcting for wear and change to provide optimum performance. It can be easily maintained because components are interchangeable.

If you'd like full details on the new jet engine control system, write us on your business letterhead at the address given below.

Making America strong in the air

We believe our contribution to America's position in the air rests on two special abilities: The ability to design the increasingly complex control systems which today's aircraft require. And the ability to produce these systems in quantity—on a basis of interchangeability of component parts which saves money for airframe and engine manufacturers, the armed services, and American taxpayers.

In our 500,000 square feet of plant space, 5,000 engineers, researchers, technicians, and skilled craftsmen work at the

job of producing fine Honeywell airborne controls and devising even better ones. We would like to put this pool of skill to work for you.

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Besides jet engine controls, Honeywell produces a complete line of gyros for stabilization, fire control, aircraft control, and missile guidance... electronic autopilots for helicopters and fixed-wing craft... electronic transistor fuel measurement systems... power controls... synchronous vibrators... actuators... amplifiers... valves and switches.

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PLANT MOVING NEXT MONTH

UNIONS PRESSING
PLANS FOR MERGER

MERGER VOTED

CO. TO LIQUIDATE

No Strike on
Arbitrator Rules on Pension

PENSION DISPUTE

STRIKE THREAT

INJUNCTION SOUGHT

WINDING UP A PENSION FUND RAISES . . .

Brand New Kind of Labor Trouble

An adjournment until Aug. 6, granted this week by a circuit court in Michigan, postpones briefly the climax of a lawsuit that opens fearful vistas to employers, makes unions acutely uncomfortable, and gratifies only economists who want forecasts to come true no matter what.

The issue behind the case is: What happens to the money in a pension fund when a plant closes down?

Concerned in the answer are Kaiser Motors Corp., close to 12,000 of its former employees at the Willow Run plant, and CIO's United Auto Workers Union. Not immediate parties of interest, but vitally affected by the outcome, are at least two other big auto industry employers, plus every other management with a pension program that might be considering merger, liquidation, relocation, or shutdown.

• **Danger Signal**—For a long time now, classical economists have been warning that labor unions, welfare legislation, and social reforms impair the flexibility of the enterprise system. When the employer—either voluntarily or because he has no choice—takes on fixed obligations, it obviously is going to take a lit-

tle time to adjust his operations and costs to changed circumstances. In the language of economics, rigidities are introduced into what should be a freely self-adjusting system.

For the most part, such theorizing has been concerned with such things as wage rates, which get fixed in a labor contract for a specified term—regardless of what labor cost cutting needs may develop. The economists believed that pension programs raised another type of problem: making the labor force less mobile, less ready to move to new job opportunities as they opened up.

Now, with the first wave of mergers and liquidations since pensions became widespread, it is evident that this development can complicate and inhibit management's freedom of action, too.

That's why the Kaiser case signals a new kind of labor trouble.

• **Hot Issue**—The main circumstances that precipitated it—a plant shutdown—involved two other Detroit pension funds. American Motors Corp., into which Hudson Motor Car Co. and Nash-Kelvinator Corp. were merged two months ago (BW-May 1 '54, p. 34), is shifting its Hudson Div. to Wiscon-

sin; and Murray Corp. has announced it will shut down its auto body plant in Detroit this fall.

In the case of all three plants, thousands of workers let out have little hope for new jobs, either because of their age or because Detroit now is a shrinking market for labor. So the first thought of many of these workers is how they can dip into the millions of dollars set aside in pension funds.

Some of the 11,800 Kaiser workers, thrown out of jobs when the Willow Run plant closed last November, first asked the union to see about splitting up the \$6-million pension fund. It was too hot an issue for the union to tackle, so nothing came of that. Then last month, Morton A. Eden—an attorney claiming to represent about 1,000 former Kaiser employees—filed suit against the pension board of trustees, asking the court to order a division of the fund among the employees after providing for continuation of benefits now being paid.

The judge has issued an interim order that, as new pensioners are added to the rolls as the suit pends, the amounts they receive will be deducted



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with Acme Steel Strapping Ideas



Methods for helping solve this materials handling problem came from Acme Idea Man, Hank Dekker, Mansfield, O.

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problems

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Ask your Acme Idea Man about the economy of packaged deliveries. He is available to make an on-the-job demonstration of the Acme Steel Strapping and Strapping Tools best suited to your needs. Call him, or write Acme Steel Products Division, Dept. BC-74. Acme Steel Company, 2840 Archer Avenue, Chicago 8, Illinois. Or, Acme Steel Company of Canada, Ltd., 660 St. Catherine Street W., Montreal, Quebec.

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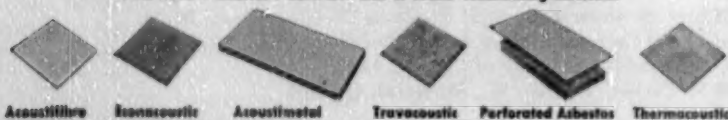
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from their share if the fund is ultimately split up. It is the hearing on the fund trustee's plea to dismiss the suit that has now been postponed. The hearing may determine whether a suit such as this has any standing in court.

• **Now, or Later**—The main issue, according to the employees, is whether they should wait years on the chance of getting a small monthly pension, or try to get a few hundred dollars now, when they have no jobs and small prospects of getting any. In essence, the trustees' reply is that the suing employees just don't know the score.

• **Vulnerable**—The Kaiser fund, more than that of the Hudson or Murray, was open to some sort of attack because of the company's youth (founded in 1946). The pension agreement between UAW and Kaiser-Frazer, signed in November, 1949, provides no benefits for an employee with less than five years of service. In November, 1953, seven years after the company started operations, Kaiser sold the Willow Run plant and began moving operations to Toledo. So, Eden's group claims, more than half the Kaiser employees stand to get no return from the fund.

The pension agreement provides that at the age of 65, employees with five or more years of service receive \$1.64 per month for each year of service, with a minimum of \$16.40 per month and a maximum of \$49.20. Inasmuch as most of the employees concerned had less than 10 years service, the retirement benefits will be small in any event, the group seeking dissolution insists.

As a clincher, this group argues that the company's contribution of 6¢ per hour was granted originally in lieu of a wage increase, so the money belongs to the employees right now. Eden's petition to the court says the agreement contains no provision for termination of employment and would not have been ratified if it did contain such provision—because of the feeling that the 6¢ was really a wage increase.

• **Support**—The trustees say the fund is large enough to meet present claims without impairment of future benefits.

Backing up the trustees is a statement from Murray W. Latimer, an actuarial expert on union pension funds: "Taking the pension fund at \$6-million... there would remain after provision of annuities equal to the pensions of all pensioners and employees over 65 and of a fund for employees in the continuing plants, \$4,353,668. This balance would be sufficient, at the present John Hancock group rates, to provide 100% of the pension credits of employees now 60 and over, and 77.5% of the balance of the credits of all employees having five or more years of credited service. This constitutes an extraordinarily fine record for a pension fund less than four years old."

Divided Loyalty

Union-boss rivalry for workers' loyalty backfires at cooperative, whose owners are also union members.

"Divided loyalty" is now the hottest subject for research in labor relations and for discussion by serious practitioners in the field.

It's the threefold idea that (1) an employee has loyalty both to his union and to the company he works for; (2) that both had better recognize it and stop trying to get a monopoly; (3) that if a company represents itself as all good and represents the union as all bad—and the union tries the same thing in reverse—it makes no sense to the individual worker, and he can be alienated against whichever interest is trying to sell him a line that goes against his grain.

For the clearest, most explosive case of real divided loyalty on record, take a look at what's happening this week at Detroit's second largest dairy. Its employees seem torn by inner conflicts resulting from a strike their union won in only three days, but which may leave them worse off than before.

The conflict results from the fact that at Twin Pines Farm, the employees are also the employer.

• **On Both Sides**—Twin Pines, a \$25-million-a-year business, is a combination cooperative-profit-sharing enterprise. The 500 distributors all own their own routes. They and the more than 300 "inside" workers own stock equal to 20 weeks of their earnings. All are members in good standing of CIO's United Dairy Workers.

Accordingly, in the recent three-day Detroit strike, Twin Pines workers, says Pres. John Stewart—who is hired by the employees—felt they were "striking against themselves."

• **Profit-Sharing Plan**—The inside men are paid on a scale determined by the difference in the cost of operating the plant and the dairy's income—pretty much a typical profit-sharing plan. A certain figure is established as a fair operating cost and any difference between this and the actual cost is distributed among the inside men.

Route men get all that is left over after provision for operating cost, taxes, and an 8% annual profit. The Twin Pines management is close-mouthed as to the route men's averages, but estimates of \$200 to \$250 a week are not denied. Route men employed by the city's privately operated dairies reportedly average about \$130 a week.

Twin Pines was founded in 1933 as a private corporation. Its employees



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were organized by the CIO-UDW in the late 1930s, when most of the city's other dairy workers became union members.

The workers retained their union affiliation when they bought up the company's stock in 1941.

"Our people always have gotten along well with the union until a strike comes along," Stewart explains. "But that's when they get into complications."

• **Gains**—Stewart makes no claim that Twin Pines employees have not benefited from union affiliation. The inside workers participate in the union's pension, life insurance funds, and credit union. Their wages have gone up from an average of \$1.04 to \$1.92 an hour in the past eight years, much of this coming from milk price increases put into effect by Twin Pines along with other dairies.

For the drivers, the union helps to enforce "fair trade" practices—preventing the stealing of customers, enforcing uniform starting times, and the like.

• **Backfire**—Twin Pines employees often find that their gain can also be their loss. That is, any wage increase put into one pocket of the inside workers has to come from the bonus in the other pocket. And as for the route men, wage increases don't apply to them and any reduction in working hours may mean a reduction in their earnings.

The Dairy Workers Union demanded that the long working hours of its members be cut by increasing vacation time without reducing wages. The privately owned dairies contended this would necessitate a 1½¢-a-qt. increase in the price of milk.

• **As an Employee**—Twin Pines workers, facing the prospect of "striking against themselves," came up with their own proposal for solving the dispute that involved 3,000 dairy workers in all. They suggested the elimination of Sunday deliveries as a means of reducing working hours without reducing earnings. This proposal, in essence, later was put forward by many of the other dairies. The union turned it down.

• **As the Boss**—Twin Pines, as an employer, then appealed to the State Labor Mediation Board for a state-conducted strike vote among its employees. The union contended that Twin Pines, like the other dairies, was engaged in interstate commerce and therefore covered by federal rather than state labor laws. The state board upheld the union's position and turned down the strike vote proposal.

Inside workers at Twin Pines promptly moved to have the National Labor Relations Board conduct a decertification election among them to remove the CIO union as bargaining agent. Meanwhile, Twin Pines route

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men have announced plans to meet soon to discuss withdrawal from the union. Under federal law, they are regarded as independent contractors, and no decertification election would be necessary to get the Dairy Workers Union out as their bargaining representative.

Principal settlement terms of the strike provided a \$5.25-a-week raise until the end of the year, when the standard work week will be reduced from 48 to 44 hours and the raise will be eliminated. A fact-finding board also was set up to make recommendations on vacations and other unsettled issues.

Employers Get a Bigger Medical Insurance Bill

More than twice as many manufacturers are paying for medical insurance packages out of their own pockets this year as were doing so four years ago. That's the picture in Cleveland—and Cleveland, a city in which no one industry or union dominates, has always been regarded as a typical U.S. industrial center.

Associated Industries of Cleveland, a management research group, uncovered this trend in insurance benefits when it checked its 337 member companies. The check turned up 126 companies paying the whole cost of sickness, accident, and hospitalization; and 91 companies sharing expenses with employees. Four years ago, there were 49 AIC member companies that paid total costs of such plans; 141 shared expenses with workers.

A probable explanation of the trend is this: Many companies—especially small ones—can't afford the pension programs demanded by unions. Companies with fewer than 500 employees often compromise with insurance at the bargaining table. Only two Cleveland companies negotiated pensions for workers last year.

• **Other Notes**—The Cleveland research group spotted a similar trend in life insurance. It found 133 Cleveland manufacturers paying for group life plans, 116 sharing costs with employees. Survivor benefits are up. Five years ago, benefits averaged \$1,000 to \$2,000. Today, the average is \$2,500.

Cleveland employers this year pay over 30¢ per man-hour for insurance and other fringes; last year the figure was 27¢.

Looking into the future, AIC expects additional increases in fees by hospital insurance groups such as Blue Cross. Because of the trend toward payment of insurance costs by companies, employers will probably bear the added expense.

ON THE 1954 BARGAINING FRONT:

<i>In These Industries . . .</i>	<i>Here's how bargaining stands . . .</i>	<i>Here's the chance of strikes . . .</i>	<i>And this is the pattern of settlement emerging . . .</i>
STEEL	Major contracts signed	None	5¢ wage boost plus fringe; total @ 10¢
ELECTRICAL MANUFACTURING	Biggest union holding out	Remote	In GE 2.68% wage boost (just over 5¢) plus fringes
COAL	No bargaining now nor scheduled	Some wildcats in progress	
AUTOS	Major contracts not open until 1955	None	Cost-of-living changes may alter wage rates
RUBBER	Intensive negotiations with major companies	Goodyear struck	Nothing yet
LUMBER	Negotiations under way	Pacific Northwest lumber, logging companies struck	5¢-7½¢ wage increase
ALUMINUM	Negotiations in session	None	Same as steel
CONSTRUCTION	Local and area negotiations on	Many reported, more coming; mostly building site and citywide	Wide range; wages only 7¢-35¢
TELEPHONES	AT&T units negotiating with CIO and independents	Not likely	Western Electric signed 5¢-7¢

Steel's Impact Is Uneven So Far

The first quick look at the labor front (table above), barely a month after the steel settlement, suggests that the immediate effect of the 1954 contract in the nation's basic industry has been less important than usual.

In the past, the steel contract has been a bellwether. Many other industries would at once follow by granting the same terms to the unions with which they dealt. This time, the reaction is slower. Scattered contracts have been signed providing terms similar to steel, but there is nothing like a stampede. And there is substantial doubt whether one will develop at all.

Most major employers seem to be regarding steel as "a special situation" having little parallel to their own. This is because steel had been lagging behind in the pension and welfare parade, and had some heavy catching-up to do this year.

Unless there is a drastic change, and some of the present bargaining impasses are broken by accepting steel's terms, it is possible that 1954 may be known as the year when the "follow the leader" bargaining pattern got severely dented.

... in Coal

A big part of western Pennsylvania's

"captive" soft coal production was shut off last week by strikes that idled 20 mines and about 14,000 miners.

The mines—mostly owned by major steel companies—were shut down in arguments over layoffs. United Mine Workers (Ind.) district leaders called the strikes "wildcat" and "illegal," but had trouble ending them.

Until they were called off this week, the wildcat strikes had some operators speculating whether UMW's John L. Lewis was preparing to open up on the labor front. A good reason for action by Lewis at this time could be the 10¢-an-hour settlement won by CIO Steelworkers. The soft coal business is badly depressed, and Lewis has as yet made no attempt to terminate UMW's wage agreement, though he has been contractually free to do so since last October.

... in Trucking

A threatened strike of 4,200 St. Louis truck drivers was averted when Teamsters Local 600 reached an agreement with St. Louis truckers calling for a 10¢-an-hour wage increase across the board, plus fringes—a package totaling 18½¢.

Teamsters in St. Louis had a two-

year contract expiring at the end of June, but agreed not to strike if truckers would make benefits retroactive.

The union was asking a 25¢ to 30¢ wage increase, guaranteed annual wage, and a so-called hot cargo clause (or refusal to handle nonunion goods).

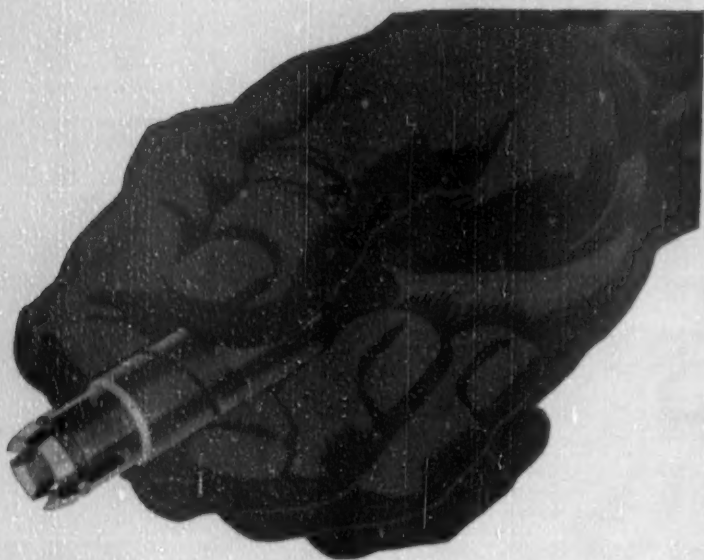
Biggest stumbling block—though truckers finally agreed to it—was a demand that St. Louis truck owners negotiate, along with others, for a 12-state cartage contract to be agreed to by March, 1955. Nine of the 12 central states already work under statewide contracts.

Teamsters aim to get the same wages for truck drivers in all states. By representing blocks of states, they will have greater power at the bargaining table.

... in Construction

About 1,000 striking carpenters and plumbers turned down a cost-of-living wage increase offered by Little Rock contractors. The unions still demand a 25¢-an-hour raise. Little Rock painters, who took part in the strike, have dropped their demands to 12½¢ and have already signed a number of contracts.

AFL plasterers and Louisville contractors signed a two-year contract with



now they save 80% in man hours—PLUS...

A big name manufacturer makes this $\frac{1}{4}$ "-diameter precision spindle from steel bars—completes its 13 different operations in 13 seconds on a

6 SPINDLE ACME-GRIDLEY BAR AUTOMATIC

By previous methods the three major screw machine operations required 3 different machines—one for blanking the part, another for milling the spiral oil groove, another for double slotting the end.

The difference in time for the job—in man hours alone—results in a labor saving of 80%. Value of floor space and cost of extra machines not figured in.

What "plus" factors? All burrs at oil groove, in slots, on the radiused cut off are removed on the automatic, by precision shaving the piece all over. This single set-up eliminates the errors that creep in through work rechucking, minimizes inspection and scrap loss, insures precise duplication, but adds nothing to the machining time.

At a distance we can demonstrate superior performance only by such examples of completely controlled cycle time and ingenious tooling combinations that apply also to your bar machine work up to $7\frac{1}{4}$ " diameter—to save you man hours, reduce your costs or give you a better product. So again we say—

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a 21¢-an-hour wage increase. Union pay scale for plasterers had been \$3-an-hour.

Syracuse carpenters (AFL) ended a 10-week walkout by accepting a 15¢ pay raise.

In Toledo, a new contract gives carpenters in general construction and highway work an additional 10¢ an hour.

A three-week strike of AFL Sheet Metal Workers against Toledo's Warm Air Heating Contractors Assn. ended with agreement on a 17¢-an-hour wage increase and fringes.

...in Manufacturing

The Square D Co., Detroit electrical equipment manufacturer—which sued United Electrical Workers (Ind.) for strike damages, then impounded union dues collected under a checkoff clause (BW—Jun. 26 '54, p. 125)—last week still took a tough bargaining attitude. The company canceled plans for a \$750,000 branch plant, filed an unfair labor practice charge with NLRB. Main snag in current contract negotiations: Square D's insistence on an iron-clad no-strike clause.

...in Packing

A one-week strike of 4,000 members of the CIO United Packing House Workers at Armour & Co.'s big Chicago plant ended when company negotiators and the union's Local 347 settled several grievances. Wages were not involved in the dispute.

...in Metal Mining

Local 18 of the Mine, Mill, & Smelter Workers (Ind.), representing 4,000 workers in the Coeur d'Alene district of northern Idaho, announced it will stay out of the nationwide strike vote set by the union for this week. Main reason for the local's action, most likely, is the NLRB election this week at Sunshine Mining Co., where miners will decide which union they will bargain through—IUMMSW's Local 18, or CIO Steelworkers.

...in Distilling

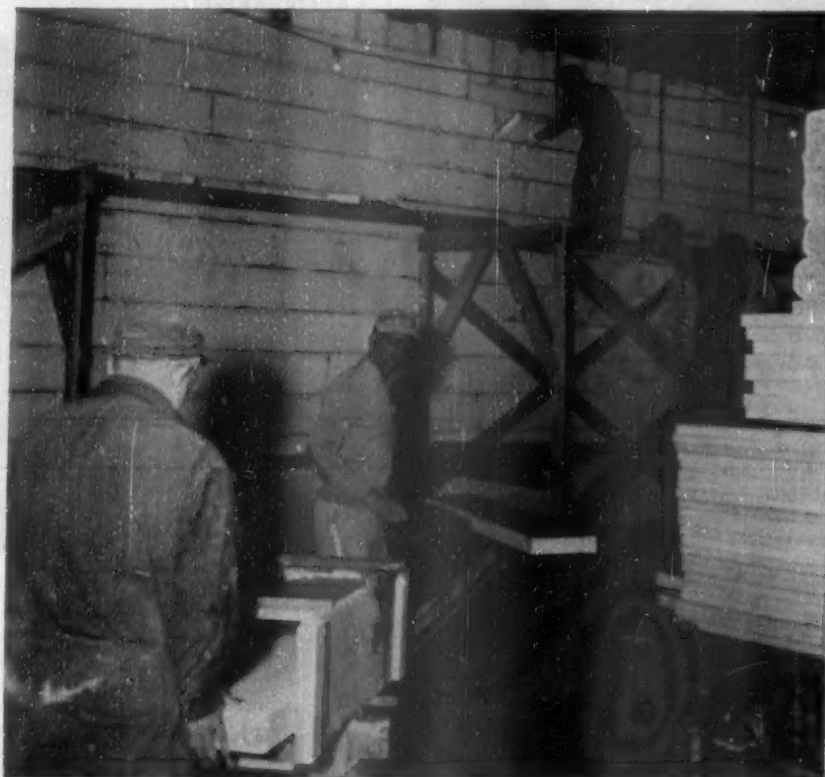
About 500 workers at Brown-Forman Distillers Corp., members of the AFL Distillery Workers Union, got a 22¢-an-hour wage increase. Brown-Forman's new rates now range from \$1.70½ for women and \$1.92½ for men to \$2.56.

Distillery workers at National Distillers Co. plants in five cities in Kentucky, Ohio, Illinois, and Maryland



RESISTANCE TO ROT AND MOLD PLUS BETTER INSULATING EFFICIENCY—REASONS FOR REPEATED USE OF STYROFOAM

The Stroh Brewery Company has used more than 1,000,000 board feet of Styrofoam in their buildings in the past several years



In this 27' partition shown above, a cold mastic bonds the two layers of Styrofoam to eliminate weight. In the installation, left, Portland Cement is used as the bonding agent. With Styrofoam, many different installation techniques can be used.

Architect: Harley, Ellington & Day, Inc., Detroit. Insulation Contractor: Michcork Co., Detroit.

When the 104-year-old Stroh Brewery Company looked for the best all-around low-temperature insulation material they found Styrofoam® rigid board insulation their answer. For Styrofoam combines more of the properties sought after in an ideal insulation material than any other commercially available material.

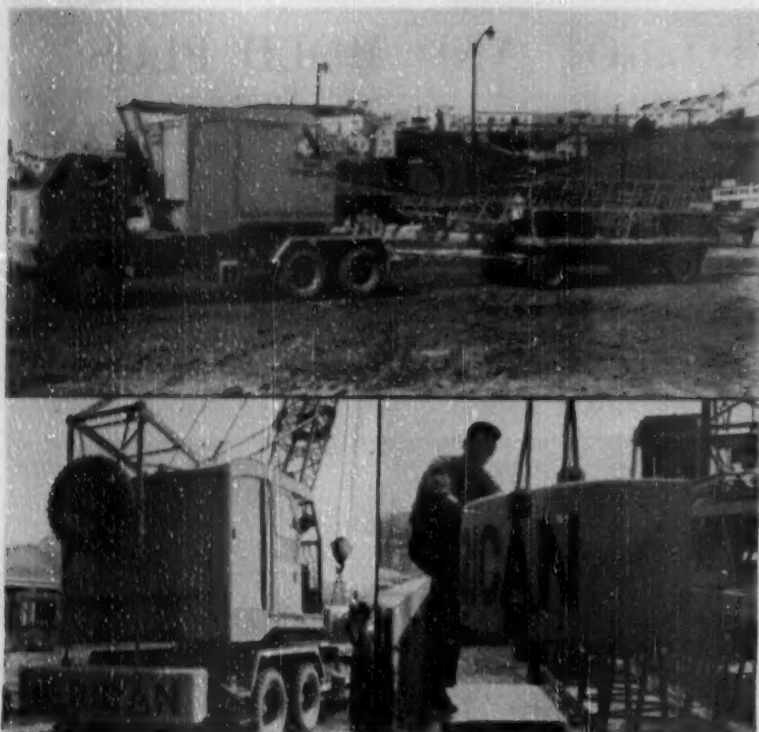
Styrofoam (Dow expanded polystyrene) is easy and economical to install, feather-light, clean and easy to handle. Its superior resistance to water vapor, odor and mold growth, and a very low "K" factor make Styrofoam a natural choice. It comes in standard sizes that can easily

be cut into desired shapes and sizes with ordinary tools. And Styrofoam keeps maintenance costs to a minimum!

Styrofoam has proved successful in many different industries where permanent low-temperature insulation is a must. If your business requires insulation for low-temperature rooms, vehicles, refrigerated equipment, pipe covering or for perimeter insulation, be sure to specify Styrofoam. Contact your nearest Dow sales office or write Dow Sales Department PL 655A right away for the name and the address of your nearest Styrofoam distributor. THE DOW CHEMICAL COMPANY, Midland, Michigan.

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"Strip-Ease" Road Show

Highway weight restrictions in many states can tie up heavy equipment on one job when it is needed on another job. But the ease and speed with which their American 375 Truck Crane can be "stripped" and the parts loaded on a unique trailer have solved this problem for the Moore Dry Dock Co. of California.

The American 375 Truck Crane uses its own mechanism to remove its counterweight easily, above left. Then, it lifts the counterweight into the "belly" of a specially-designed trailer, above right. With the boom lowered into its cradle on the top of the trailer, the axle weight of the entire unit, top photo, meets most requirements for any highway in the state.

Weight restrictions are a problem in almost every locality. The current issue of the Crosby Clipper presents the complete story of how the Moore Dry Dock Company solved its problem with American equipment. If you are interested in this story, or in other time and money saving applications of American products, mail the coupon below. You will receive the Crosby Clipper regularly without charge.



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settled for 12¢ to 14¢-an-hour wage increases plus fringes.

...in Farm Equipment

A four-day work week proposed by International Harvester Co. to take the place of layoffs was turned down by United Electrical Workers (Ind.). Harvester's proposal results from a sharp drop in sales of farm equipment. The union is demanding a shorter work week with 40 hours pay. Harvester has 21 plants and about 58,000 production workers.

LABOR BRIEFS



Alex Rose's United Hatters, Cap & Millinery Workers Union, which was the bane of one employer, may turn out to be the savior of another. Last in the news when it struck Hat Corp. of America, in Norwalk, Conn. (BW-Mar.27'54,p154), Rose's union is now lending \$250,000 to keep the Kartiganer Corp. in business in two plants in Massachusetts and New York.

Further narrowing of NLRB jurisdiction (BW-Jul.10'54,p144) came this week in a series of rulings. The board will stay out of: retail stores with less than \$1-million gross business . . . radio and TV stations under \$200,000 . . . newspapers under \$500,000 . . . utilities under \$3-million . . . interstate transit systems under \$100,000 (the board has no control over railroads and airlines).

Merger of the Transport Workers Union of America and United Railroad Workers, both CIO affiliates with 150,000 combined membership, will soon take place. The merger is subject to referendum by the railroad workers.

A union supermarket and recreation hall costing \$1.2-million will be built by Toledo's Local 12, United Auto Workers (CIO). The union group authorized to issue bonds to finance construction is Twelve Corp., Inc.

Unemployment compensation in Ohio should be broadened to provide \$30 to \$50 a week for 39 weeks—instead of the present 26, according to Cleveland's Industrial Union Council. IUC started a statewide drive for 2,400 petitions to back its revision. Employers, who contend that liberalization of the system is unjustified, will resist the move.

Rising employment in state and local governing bodies has taken place faster than the drop in federal works figures. State and local payrolls totaled 4,725,000 this spring; 4,541,000 a year ago. Federal payrolls—not counting armed forces—were 2,348,000 this year; 2,519,000 in 1953. Biggest single factor in the nonfederal increase: school teachers.

Welfare fund abuses and racketeering were the targets of Ladies Garment Workers' Pres. David Dubinsky, writing in American Federationist. Urging federal law to make public all the facts about such funds, Dubinsky said: "When unionists see welfare funds squandered . . . they will look on government intervention as a lesser evil."

Pay for Washup Time Is Still Rather Rare

During World War II, while the stabilization lid was on wages, provisions for paid time for workers to wash up, clean up, or change their clothes began to spread among labor contracts. But unlike other "fringe" additions, these provisions are still relatively uncommon.

Out of 1,840 contracts, covering some 6-million workers, studied by the Bureau of Labor Statistics recently, only 310 (about 17%) set aside a fraction of the paid workday for washup or cleanup.

Pay for washup occurs almost twice as often as pay for cleaning up, more than four times as often as pay for clothes change. Washup clauses appear in 195 of the 1,840 contracts, cleanup in 103, and clothes change in 43.

Manufacturing industries like chemicals, petroleum, coal, and rubber provide most instances of paid personal or plant cleanliness functions. But very often, where a contract doesn't specify washup pay, plants already have set aside informal periods for this purpose.

More than a fourth of the workers who wash up on company time get 10 minutes for this under their contracts.

WHAT'S NEWS IN PACKAGING

A new package and merchandising device has been developed in California by a dry cleaning company that specializes in suede and leather cleaning.

Working with Bemis, a multi-ply paper bag was designed for the delivery by mail of both clean and soiled garments. The bags are weather-resistant, pressure-tested and self-sealing.

The cleaner not only mails garments back to his customers, but sends the customers a supply of empty, self-addressed bags in which they can mail garments to be cleaned. The bags are imprinted with all necessary instructions to the customer.

The plan saves on delivery costs and labor, and is a welcome convenience to the customer.

An airline with overseas service, which gives souvenir passport holders to its passengers, has made substantial savings by switching from leather and leatherette covers to transparent polyethylene holders made by Bemis.

The new plastic holders cost less than 5 cents each, a fraction of the cost of previous types. Moreover, the poly holders are light, durable and, being transparent, permit examination of the passport without taking it from the holder.

An adaptation of the same idea is a protective holder for insurance policies, to be given to clients with their new policies.

Still another use of polyethylene made by Bemis is the holder for membership cards, credit cards, drivers' licenses, etc. The holder has six pockets, each taking two cards back-to-back, so that twelve cards are exposed when the holder is opened. When folded, it is the size of a single card and fits easily in the card pocket of a wallet. Principal advantages are the visibility and the fact that any card may be easily found and displayed without fumbling or danger of dropping.

Whether you need a package that will increase sales, give better protection to your product, build customer goodwill, or simply save you labor and money, you should consult Bemis. Bemis Bags and related products meet an astounding number of industrial and commercial requirements, and new uses are continually coming to light. You may want Bemis engineers to create a new package, or to advise you on packaging methods. Please write us.

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Servo fr. L. Servus-Slave

• In the growing world of automation and automatic controls you will be hearing more and more about servos—servo mechanisms, servo control and servo motors. Just what are servos?

• From its origin the word servo means "slave". It is a device which allows a small effort to create a strong force. Power steering in a modern motor car employs a servomotor which transmits the effortless turning of the steering wheel into a powerful turning of the front wheel of a heavy car. It is, furthermore, an educated slave—it knows enough to turn the wheels by the exact amount ordered by the man at the wheel and then shut itself off and await the next order.

• If you use the overworked simile that modern computers are electro-mechanical "brains" then servos can be called the "muscles" for the brains. They are motors (electric, hydraulic, etc.) which respond to what the computer indicates and moves or drives the mechanism in the required manner.



Servo system in Naval guns

• Ford Instrument Company, for almost forty years, has been designing and manufacturing computers and servo mechanisms. In many of these the computers solve the complicated problems of what direction a naval gun should be pointed and at what elevation its muzzle should be raised to enable it to hit a moving target. This information has, through a servo system, been made to move the heavy gun turrets and elevate the big guns. Whether it be steering a ship, aiming a gun, controlling the mixtures in a chemical plant, opening the gates of a dam or guiding a precision machine tool, the problems of automatic control and servo systems are specialties of the engineers of Ford Instrument Company. Their achievements in this field have helped make America stronger and a better place to live.

• Each year Ford Instrument Company is adding to its staff of several hundred engineers. If you are an engineer and can qualify, there may be a position for you.

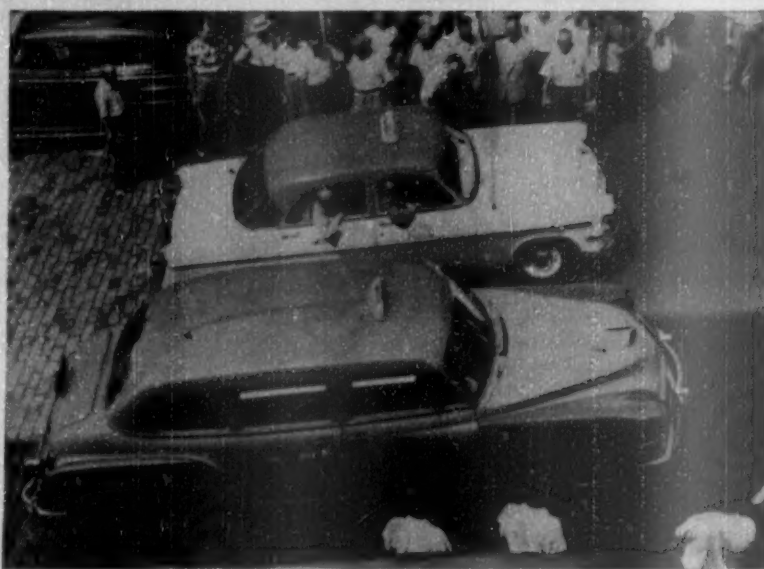


**FORD INSTRUMENT
COMPANY**

DIVISION OF THE SPERRY CORPORATION

31-10 Thomson Ave., Long Island City 1, N. Y.

LOCAL BUSINESS



Tryout for Smaller Cabs

NEW YORK—Last week, Mayor Robert F. Wagner signed a bill allowing for a 20-month trial of "small" cabs like the one in the picture. The new cabs are small only in New York's eyes. They are stock cars—ordinary Fords, Plymouths, Chevrolets. Previously, the city's municipal codes had required large, specially built limousines (BW—May 22 '54, p132)—made primarily by DeSoto and Checker Cab Mfg. Corp. and hardly used at all in any other U. S. city.

The city's idea in stipulating big cabs had been, partly, to provide a maximum of passenger space in a given number of taxis. But cab drivers and fleet owners argue that a cab generally carries only one or two people—regardless of its size.

The drivers are happy with the smaller cabs. Said one this week: "This is like driving a scooter after shoving the big hacks." Most drivers agreed; arms and backs get a rest in the smaller cars. Fleet owners are happy, too. The small cabs are less expensive, eat less fuel, and—being stock cars—are cheaper to repair.

Passengers are not so eager to give approval. Their reason: They miss the ample leg-room in the old limousines' rear seats.

A Lot of Rubbish

PITTSBURGH—An eight-month strike, tying up the downtown Pittsburgh department stores, is beginning to exasperate city officials. The problem: Rubbish is piling up around the

stores because striking AFL warehousemen and delivery drivers will not allow collections for normal disposal.

The city called an emergency hearing last week as bales of refuse began to pile up on store roofs. The fire department had issued a protest saying the rubbish was becoming an increasing hazard. Firemen said the basements were particularly bad, and ordered immediate cleaning out.

Storeowners, doggedly refusing to close down, reported they were moving out accumulated waste material by river barge, train, and wagon—under heavy police escort after several clashes with the unions. They hoped all the rubbish would be removed by the end of this week.

AFL leaders, in a counter move, accused the city of encouraging strike-breaking by giving such heavy police protection. The accusation prompted the City Council to intervene for the first time. A subcommittee of three was appointed to get "all the rubbish" and other matters settled.

Bus Bedlam

ROCHESTER, N. Y.—In an economy drive, Rochester Transit Corp. put all its buses in one barn. It wasn't long before the extra traffic was causing complaints from neighborhood citizens. They told city officials that the noise in the early morning hours "sounded like an army on the move," and that the exhaust fumes kept them gagging.

The city took up the cause by seeking a state supreme court injunction to restrict the number of buses operating out of the disputed East Main Street



UNBRAKO SOCKET HEAD CAP SCREWS COME KING SIZE

The advantages of UNBRAKO screws are well known. They are so strong that three UNBRAKOs will often do the job of five ordinary screws. Thus they save weight, save on the number of screws you buy, save on the production operations you perform. These same advantages are now available in upset-forged UNBRAKO giants—cap screws $1\frac{1}{2}$ inches through 3 inches in diameter, with lengths from 2 inches to 36 inches or longer. They have fully formed threads, uniform sockets, unbroken flow lines for greater fatigue strength. The application shown here is a centrifugal casting machine, on which 12 UNBRAKOs hold so tightly there is no seepage of molten metal. UNBRAKO giants are available through your favorite industrial distributor, or write for Bulletin 2002. STANDARD PRESSED STEEL Co., Jenkintown 57, Pa.

UNBRAKO SOCKET SCREW DIVISION

SPS

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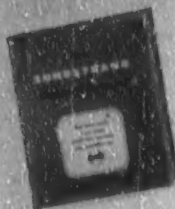


New design features plus automatic cycling increases production from 40 to 250 Gear Blanks per hour

Here's another interesting comparison between a present day Sundstrand Automatic Lathe and one built 24 years ago. The machine built in 1930 represented a modern production lathe of that time and turned 40 bevel gear blanks per hour. The modern Sundstrand Automatic Lathe has many new design features including automatic cycling and turns comparable bevel gear blanks at the rate of 250 per hour.

... Look at your machine tools when profits are threatened Today's profit protectors are machines embodying modern methods of processing. In milling and turning operations Sundstrand engineers will be glad to help you determine the most profitable method and machine for your plant. There is no obligation for this "Engineered Production" Service.

Additional Data This new folder explains Sundstrand "Engineered Production" and what you can expect from its application to your metal working problem. Write today. Ask for Bulletin BW 345.



SUNSTRAND
MACHINE TOOL CO.
ROCKFORD, ILLINOIS, U. S. A.

barn. It looked as if residents near the barn might get their early morning sleep without bus sounds.

Last week, however, company officials declared they would cut their service one-third if the city pushed through the restriction measure. The officials threatened to limit the city-wide service to the number of buses allowed at the East Main barn. Residents were told they faced the choice of (1) putting up with the rumble and fumes or (2) walking.

All's Well

HOUMA, LA.—Tide Water Associated Oil Co. last week hit a gas well 13,500 ft. under the heart of downtown Houma. Every one of the city's 11,000 citizens is pleased. The city is in on one of the most unusual deals in the history of the oil industry.

It all began last fall when city officials realized that their old contract for natural gas would expire in October, 1954, and that in any new contract, the price would rise from 16.2¢ per 1,000 cu. ft. to about 25¢. Mayor Leon Gary and his aldermen, anxious to avoid the price hike, did a little checking with geologists and found that Houma itself might be sitting right smack on the top of one of the biggest wells in South Louisiana.

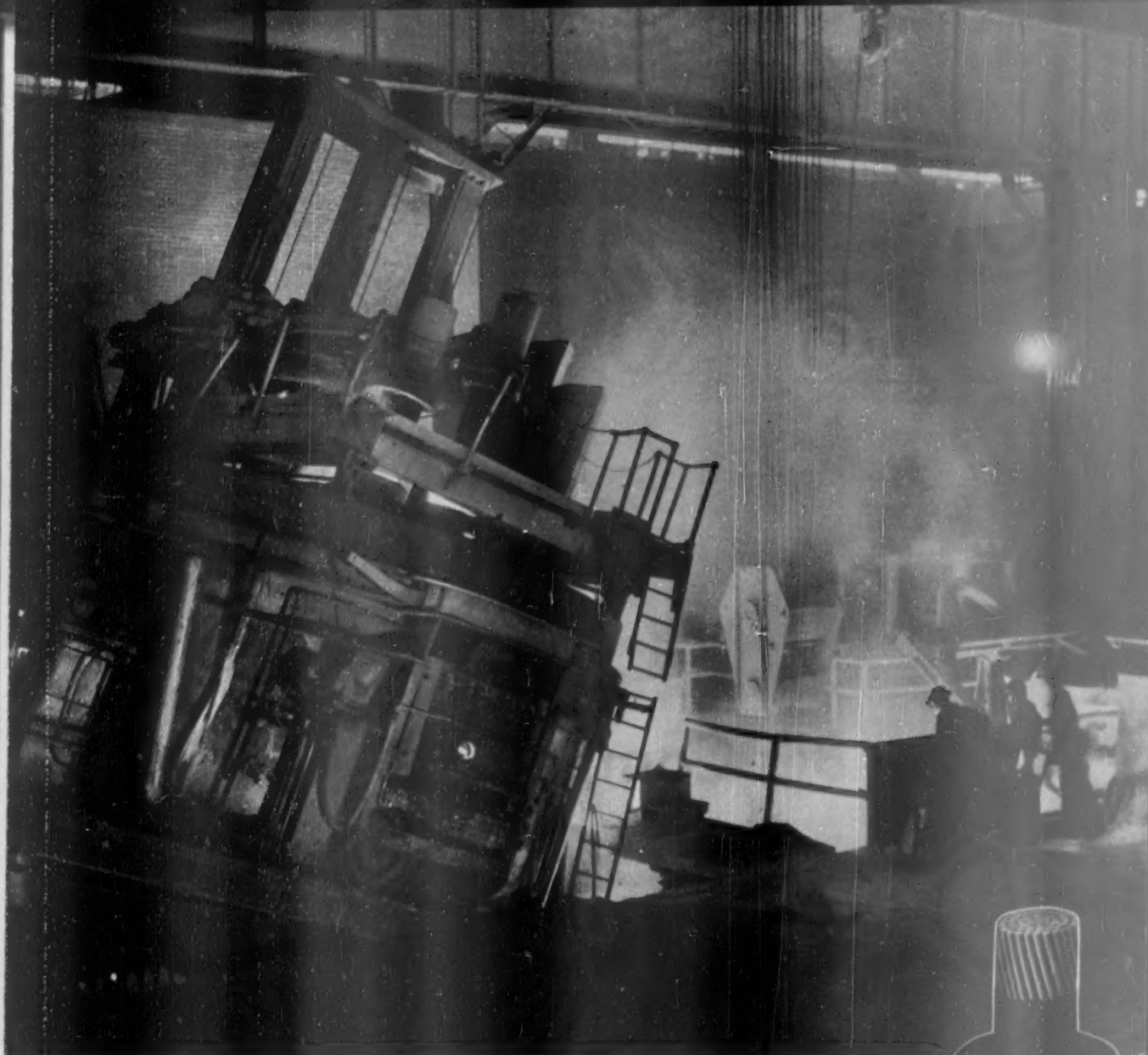
The city went to several oil companies with this deal: The city would arrange drilling rights if the company would promise the city and residents a royalty interest on gas produced, and a special 12¢ rate for local gas. Tide Water agreed, and drilling started in December. A slant drill from the city's outskirts provided a safety factor, and 5-million cu. ft. of gas are now flowing daily.

Update

PHOENIX—City employees and property owners heaved a sigh of relief last week when voters approved continuance of a controversial $\frac{1}{2}$ of 1% sales tax (BW—Jun. 26 '54, p138).

City workers faced a wage cut if the sales tax, which provided for 12½% of the city's anticipated revenue this year, was lifted. Property owners, too, were told they would have to help carry the financial burden by taking a 47% property tax boost.

The tax, providing for 0.5% on sales made within the city, was first levied in 1949, and was bitterly opposed by retailer associations and groups of independent merchants. They took it to court, and last month Superior Court Judge J. M. Johnson ruled that the city had no right to levy the tax under its charter. The issue was then taken to the voters in a special election.



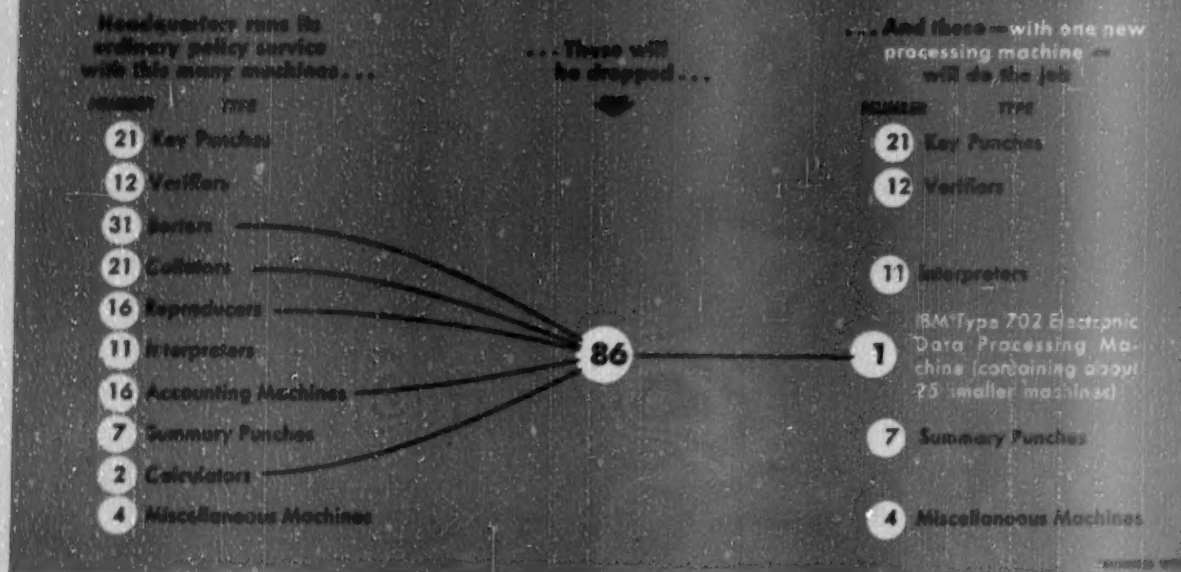
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Okonite electrical cables carry power for critical circuits in every major industry. And with the increasing use of automatic control systems, industry depends more and more on the electrical cables that supply the power. Dependable cable has been Okonite's business since 1878. The Okonite Company, Passaic, N. J.

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How Prudential Will Cut Its Office Machines



How a Big Computer Takes Over

The table above shows what can happen when a big electronic computer is moved into an office to handle routine paperwork.

And that's just what is starting to happen at an increasing rate. You probably wouldn't be far off if you guessed that between 60 and 75 magnetic tape operated computers are now on order for commercial use. Before the year is out, at least a half a dozen of these will be installed and operating. By 1956, the number will be many times that.

A word of warning, though. Don't let these figures fool you. Each company that has ordered a computer did so after months of study by methods analysts. The studies are continuing while they wait for delivery. For setting up paperwork routine for the big machine, adapting the machine to the particular type of work required, and putting the whole show on a cost-saving basis is as tough a job as an office force will ever face.

• **What It Means**—Now that a lot of actual installations are in the works it's possible, for the first time, to see what's involved in putting a computer into your business.

On the surface, it's impressive: 86 of the 131 machines in the office are moved out and one Type 702 electronic data processing machine, made by In-

ternational Business Machines Corp., takes their place. Of course, the 702 in this case will be made up of some 25 interconnected units, but even so, the total number of machines will be cut almost in half.

This new system will probably be installed at the Newark (N. J.) office of the Prudential Life Insurance Co. of America about a year from now. Its initial function will be to service around 3-million accounts receivable. In so doing, each year it will send out 10-million premium notices and account for 10-million remittances. This means around 80,000 policies a day will receive servicing by the 702 and its satellites.

• **Earlier Machines**—This is all very impressive, but it promises no part of a miracle. The Pru has been successfully servicing these millions of policies by punched card machine for years.

But the public has been led to believe—not by the manufacturers but by a combination of articles, rumors, and speculation—that these tape computers are truly "giant brains": The word has been that they will not only handle billing, but figure the boss's expense account, determine the number of bricks needed for a new building, set up cafeteria schedules, and forecast the weather at the same time.

Moving in on a job already mechan-

ized, like the one at Pru, is hardly fitting for such electronic genius.

• **Much to Learn**—The example from the Pru, however, is a realistic one. It shows what some office methods men have long known: the use of the big computers in business may one day be sensational, but there is so much to be learned about their commercial application—as opposed to scientific application—that the miracles will arrive grudgingly and piecemeal.

At present, the general thinking runs like this: Computers themselves are far in advance of the uses they're put to.

Computer experts know that applying the big machines to office work must be approached carefully. So far, these machines have served almost entirely to aid scientific research and engineering design—particularly on government-backed aircraft, guided missile, and atomic energy projects where costs are not the first consideration. In a business office, costs come first.

E. F. Cooley, associate director of methods research at the Pru says in regards to the use of the tape computers:

"We are solely interested in doing things more economically." Furthermore, Cooley says, "There's no shortcut in determining whether a big tape-operated system is more economical than a punched card system." Intensive

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Throughout the chemical process industries, Mathieson PRODUCTS-PLUS are of significant value to the consumer. And in pulp manufacture, dependability of supply, PLUS practical technical assistance, PLUS product quality, add up to why you can buy ammonia to better advantage from Mathieson.



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study beforehand is necessary, and even then, many experts feel actual operation may reverse the findings. Cooley has 20 methods analysts assigned to the 702 project, and before the equipment is delivered a year or so from now, more people will probably be brought in.

• **Long Drawn**—The revolution that brings the automatic, electronic office, then, will be a slow and continuing thing.

Still, it's under way. Long steps came last year when General Electric Co. and the Metropolitan Life Insurance Co. each ordered a Univac from Remington Rand, Inc. The Univac competes with IBM's Type 702.

This year there is still more evidence of change. Here are the principal developments:

• In January, Remington Rand made the Univac in its New York City headquarters available on an hourly rental basis. Companies are hiring it to run off payrolls, make inventory and distribution studies, and so forth. IBM has also done a limited amount of this in the commercial field and will do more when the first 702 is delivered.

• In May, GE's appliance division at Louisville started using its new Univac (BW—Nov. 21 '53, p68) for complete processing of its 12,000-employees payroll.

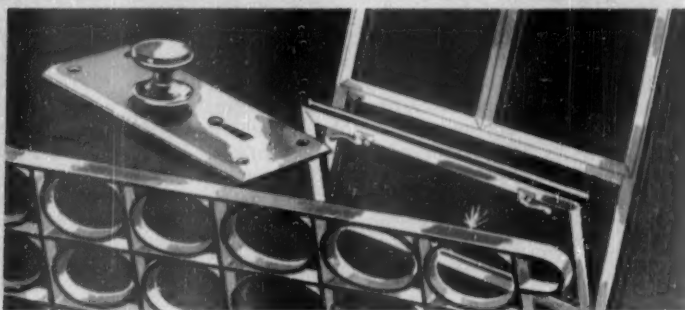
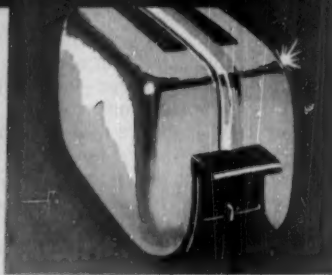
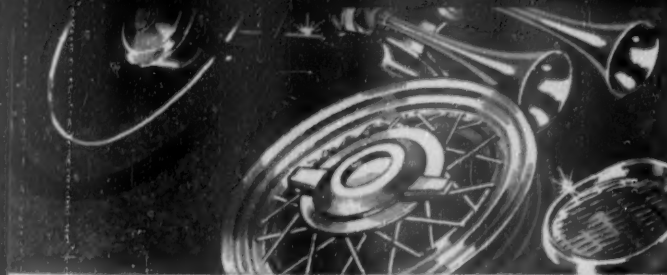
• In June, the Met began to use its new Univac for basic actuarial statistics. Since June 15, it has gathered data from some 20-million policies and calculated the totals, means, and percentages wanted.

• IBM's 702, although familiar to prospective customers for several months, was officially unveiled in June. By the time the first advertisements for it were run early this month, IBM had stopped taking orders for it. The reason: The first 702 won't be delivered until January and, at the start, production will be only one a month. IBM figures by the time it has filled its many present orders (including orders from Commonwealth Edison, Monsanto Chemical, Ford, Chrysler, and the Pru and the Met), a more advanced model will be in production.

On top of these indications, IBM and Rem Rand will soon have competition in tape computers for commercial use. A sure new entrant: Radio Corp. of America, with its Bizmac. A probable: Raytheon Mfg.

Demand is in sight, too. Clearly the top management of any company that handles a lot of paperwork will soon be at least batting around the possibility of getting a big computer. So a few definitions are in order.

The Univac and the 702 are digital computers. Their forte is that they can handle a lot of data in a short time. But their internal design is such that



These products have extra sales appeal
when they're labeled

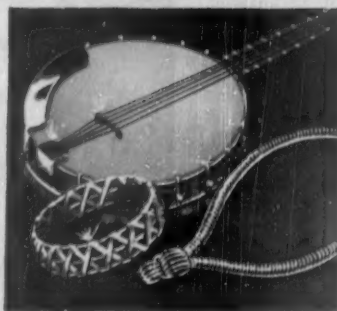


• These are just a few of the many products made in anticipation of the buying public's question, "Is it Stainless Steel?" It would take pages and pages to show every product that takes advantage of Stainless Steel's wide public acceptance.

The reason for this acceptance is a simple one. "Stainless Steel" speaks for itself. It stands for corrosion resistance, ease of cleaning, long life and lasting beauty. And the buying public knows it.

People in all walks of life appreciate the benefits of Stainless. And there's never been a time when this plus value has meant so much to a product in terms of sales.

So put Stainless Steel to work for you, and when you do, go to the best single source of supply for Stainless—United States Steel. Here you have the wide selection that's necessary for best results in fabrication . . . best results in end use.



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UNITED STATES STEEL

they can only perform relatively simple arithmetical calculations with these data.

Rem Rand's ERA-1103 and IBM's 701 (soon the 704) are also digital computers, but they are primarily for engineering and research. They can only handle a limited input and output of data, but internally they work much faster so they are best at solving long, involved problems in higher mathematics—problems that actually are a vast series of simple calculations.

All four of these machines use the same principles and are more or less interchangeable, but basically the Univac and the 702 are office workers while the other two are laboratory workers. The two laboratory machines have much larger memories (data storage facilities)—one reason they are particularly adapted to complicated problems in higher mathematics.

There is still another type of computer called the analog (page 138), which is specifically designed for engineering and research. The analog is much slower than the digital; because of its internal construction (a sort of superduper slide rule), it has to be re-adjusted mechanically for each new problem; and it delivers more approximate answers than the digital does. Analog computers are not well adapted for mass data handling.

Below all these is another level of electronic computers. They are either punched card or punched tape operated, instead of magnetic tape operated. They are sufficient for many big office jobs and computer experts advise that these smaller systems be looked into before a decision is made to obtain a 702 or a Univac. Most office machine manufacturers make the smaller machines or will soon be doing so.

• **No Hands**—Still, the big, magnetic tape computers have great advantages. They can perform an entire operation without human control. Existing punched card files are transferred to magnetic tape. On another tape, the system is programmed to carry out all the desired steps. Then, it's hands off. The computer works accurately and at very high speed. Also, and this is an important advantage, it can handle a variety of exceptions to the routine if the exceptions are programmed.

The programming and hands-off aspect, however, is the principal reason computer users must progress deliberately. Converting a complicated, many-staged clerical procedure to an automatic system is a tough job. The input and the output remain unchanged, but what goes on in between doesn't. Mechanizing what people do may change the process.

• **Working Up**—For this reason, GE, the Met, and the Pru are all employing the same technique at the start. They

put the computer to work on a single, familiar job, add more familiar jobs as time goes on. Eventually they will move into untapped areas such as long-range forecasting or the figuring of indexes that have many times more factors than present day indexes do.

GE expects to write off the cost of its Univac at Louisville in a couple of years by putting it on mass data jobs such as payroll, material scheduling and inventory control, order service and billing, and general and cost accounting. Concurrently, it will advance into short-term forecasting, factory machine loading, and similar jobs. Finally, it hopes to provide what it calls dynamic distribution analysis: The system built around the Univac will receive and digest flash reports from retail outlets and other distribution points and will couple these with plant budgets and production schedules to keep—GE hopes—sales, production, costs, prices, and other factors in such a balance as to result in something approaching maximum profits.

The Met is beginning on basic actuarial statistics, then moving to policy servicing and other mass, routine jobs. The Pru is starting with policy servicing, adding other routine jobs in time, then going to work for the actuarial department.

The Pru is starting on ordinary policy servicing because it is already the most

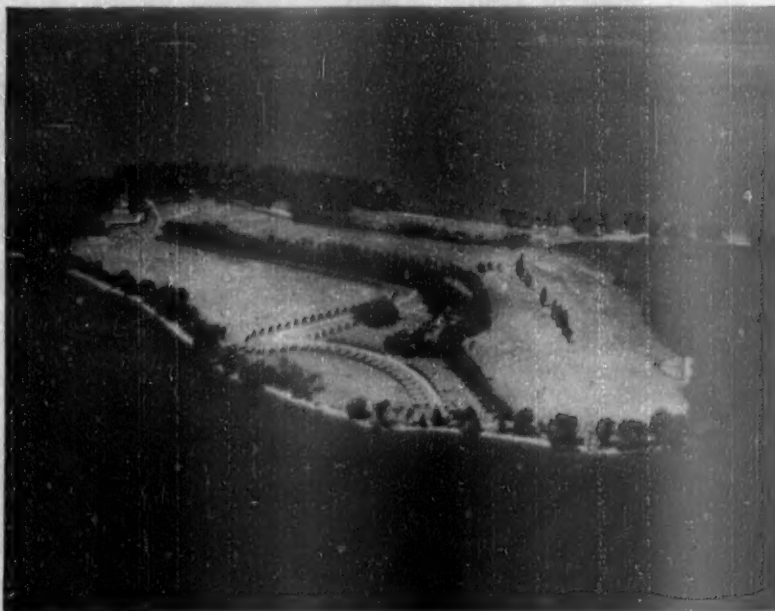
advanced operation at Newark. Cooley explains that policy servicing is the furthest advanced on punched card equipment because it lends itself best to going through an automatic system; so it follows that it will also lend itself best to being put on a still more advanced system. But because policy servicing is already an efficient operation at Pru, the savings expected in moving over to a tape computer will be less than, say, at the Met where policy servicing is today less advanced.

In other words, the maximum saving could be expected in switching from a pencil operation to Univac or 702, if that operation could be programmed. The minimum saving would be in switching from an advanced punched card system to Univac or 702. But the Pru feels the latter, being known terrain, is the best place to start.

Cooley expects cost savings from two directions:

Personnel. At the Pru, a large number of clerical workers are used on the punched card equipment; cards must be moved from one stage to another, each machine attended, and so forth. On the new system, only a few people, mostly programmers, will be used.

Accuracy. There are numerous slips due to human error in a punched card operation. The big computer, however, is a continuous operation with no stage-to-stage transfers.



Island Retreat for GE Student Brass

Throughout this summer, in 280-man groups, 2,800 General Electric Co. executives will spend three-day sessions on the company-owned Association Island in Lake Ontario, shown above. There they will study executive develop-

ment under top-level GE executives and guest speakers from other corporations. This is the first summer since 1950 the island has been available. High waters have flooded the 60-acre retreat for three seasons.



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You might feel pretty much the same if the boys in the shop suggested you try your hand at welding. "What! Me weld?" Surprisingly enough, you can do it, the very first time. With the new welding electrodes we have, all you do is move the rod along the work, touching the metal — almost like drawing a line. Iron powder mixed in the coating eliminates the need for holding an arc; the weld metal just flows on to make a smooth, neat bond. *Anyone* can do it.

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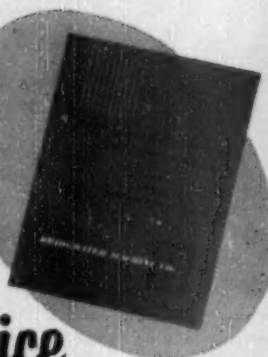
WELDING EQUIPMENT



OVERHEAD CRANES

Here's How

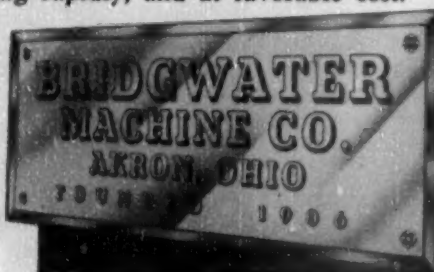
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If the man you seek is at management level — or on his way up — he's probably a reader of **BUSINESS WEEK**. Secure his services through **BUSINESS WEEK'S** classified advertising section . . . "clues."

Split-Dollar . . .

... insurance is the latest wrinkle for executives; firm and officer share payments—and it saves some taxes.

A number of companies looking for ways of tying in insurance benefits with executive compensation are running across a strange-sounding phrase right now. Their insurance advisers are urging them to look into what's called "split-dollar" insurance.

The split-dollar plan was devised a couple of years ago by Prentice-Hall, Inc., publishers of books, tax reports, and the like.

Prentice-Hall adopted the plan for its own executives. It caught on; and now it's being offered by several insurance companies—though some of the biggest ones are still holding off.

What "split-dollar" means is that the executive and his company can split the dollar cost of a policy. For the executive, this means decreasing premium payments as the years go by, and a tax saving, too—because he not only doesn't pay the whole premium, but he doesn't pay taxes on all of what the company pays for him, either.

• **Nest Egg**—You can see how it works if you consider what an ordinary life insurance policy does. Such a policy provides two things for the insured. First and most important is protection, or coverage against the risk of death before his time. The second is a means of saving: Because of this savings feature, the insured can turn in the policy at any time, and receive cash for it. This value, called the cash value of a policy, is necessarily small in the early years of the policy; but it grows as the insured lives out his expectancy.

The increase in cash value becomes greater each year. By about the 10th year this annual increase is larger than the yearly premium. This means that the cash value of the policy, while still much less than the face value, is providing savings and security for the insured at a greater rate every year he lives.

• **Payments**—In the case of split-dollar, the company takes out a policy for the executive—usually ordinary life—and the company pays the part of the premium that corresponds to the increase in cash value; the executive pays the balance. As the cash value increases, the executive's share of the premium decreases; so rapidly that within 10 years his payments cease. If the insured dies, the company is entitled to the cash value and the executive's beneficiary gets the difference between the face and cash values.

• **Example**—Suppose that an actual pol-

icy offered by the Mutual Life Insurance Co. of New York has been taken out by John Smith, an executive with a company that likes the split-dollar system—an ordinary life policy for \$25,000. Since there is no cash value the first year, Smith pays the whole premium: \$500. The second year, the policy acquires a cash value of \$125 on the payment of the second-year premium; the company pays an amount corresponding to this (\$125), leaving Smith only \$375 to pay. In the fourth year, Smith's share is down to \$63, in the eighth it's \$4, and by the 10th he doesn't pay anything. This is because the increase in cash value has become equal to the premium and the company now pays everything.

At the end of 20 years, Smith has paid a total of \$1,164 for an average coverage during these years of \$21,370. His coverage decreases as the cash value increases, because the executive is entitled only to the difference between the face and cash values.

• **Advantages**—At the 20th year, the theoretical cash value is \$7,450; and the coverage Smith now has is the balance, or \$17,550. Actually, the cash value is a bit larger than \$7,450, because this figure represents only what the company has paid in premiums. After the 10th year, the cash value increase becomes greater than the premium, because the interest in the reserve is growing.

In the case of Smith's policy this difference amounts to \$900 by the 20th year; and this is turned over to him. Subtract this from the \$1,164, representing his total payments, and Smith's net payments come to \$264 for a 20-year \$25,000 policy. That's a little more than \$13 a year. And the company has not lost anything except interest on its money, as it gets back exactly what it puts in, in the form of the accumulated cash value.

• **Holdouts**—In spite of the advantages, some insurance companies, such as the Equitable Life Assurance Society of the U.S. and the Metropolitan Life Insurance Co., are hesitant about issuing these policies. They give these reasons:

- The executive receives decreasing coverage.

- The company has the right to cancel the policy and the executive may not be able to afford to buy out the company's interest.

- The Bureau of Internal Revenue has recently ruled that the "economic benefit" received by the executive is to be considered as added income, and that a part of the company's premium payment is taxable income for him.

- Some states have laws forbidding a company to lend money to an officer. Split-dollar is often interpreted as a loan.



HOW TO MAKE A GOOD LOCATION EVEN BETTER

Access to markets, raw material supply, labor force, power and shipping facilities, all combine to make a good location for you. You can make that location even better with the proper building. That's where Truscon service can help.

Truscon offers you a complete building-design service, based on the proper application of standard steel building products. Truscon will design and engineer the building "package" you need, deliver it to your site, and work with your local contractors to get it up and in use.

In this way you get a steel building—or group of buildings—made exactly to your space needs. Plus the economy of standard pre-fabricated steel sections.

Truscon Steel Buildings are low in cost, are quickly erected, have good salvage value, can be disassembled and re-erected as your space needs change. As permanent structures, they offer fire-resistance, low upkeep, and high investment value.

If you're thinking of a new location, branch office, warehouse, or addition to your present plant, a Truscon Steel Building Catalog on your desk will be a great help in preliminary planning. Your letter will bring a copy by return mail. Write:



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REPUBLIC STEEL**

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a name you can build on

Architect Stanley Brown, A. I. A. gives *10 Good Reasons*



why he specifies **Janitrol**

Since 1943, Mr. Brown of Dallas has designed over 50 school buildings, all using Janitrol Gas-Fired Unit Heaters, here are his reasons . . .

1. Janitrol units have met with the approval of every client.
2. They are economical in first cost and require a very minimum of maintenance.
3. Ceiling suspended, they occupy no valuable floor area.
4. Installation provides absolute safety for school children.
5. Thermostat control assures good heat at the right place and at the proper time regardless of outside weather conditions.
6. Blower fan is often used as air circulator in summer.
7. Classrooms can be heated very quickly.
8. Forced-air heat gives a good distribution of warm temperatures.
9. Heaters are compact, with a pleasing appearance.
10. Janitrol Unit Heaters have been satisfactory in every way and the service given by your distributors has been excellent.



Janitrol
GAS-FIRED UNIT HEATERS

Write for A. I. A. Files on Commercial and Industrial Heating with Gas

JANITROL DIVISION

SURFACE COMBUSTION CORP., DUBLIN AVE., COLUMBUS 16, OHIO

Adman's Path Leads Up at P&G

If you work for Procter & Gamble Co., or if you ever expect to, and you want to get to the top of the company, make sure you get heavy advertising experience. That seems to be the lesson in last week's promotions at P&G.

Two vice-presidents were promoted to executive vice-president, replacing no one. They are:

• Howard J. Morgens, 43, vice-president in charge of advertising since 1948, now executive vice-president in charge of all operations in the U.S. except the cellulose and oil mill operations.

• Walter L. Lingle, 47, who also rose through advertising before he became vice-president of overseas operations in 1948. He is now executive vice-president for the cellulose and oil mill divisions, and for all operations outside the U.S.

You can go a step further with the idea. In 1946 Morgens was made advertising manager, W. Howell Chase was put in charge of brand development, and A. N. Halverstadt took over the radio and media division. Two of these are definitely advertising spots. All three were once held down by Neil McElroy, current P&G president.

MANAGEMENT BRIEFS

The Pennsylvania Railroad has hired management consultants for the first time in its history. Company structure will be examined by Robert Heller & Associates in the light of increased competition, a recent revenue decline, and layoffs.

A stock purchase plan for employees has been announced by Dow Chemical Co. The company's sixth such plan since 1948, it will exclude stockholders, directors, and officers. The plan goes to the SEC in August, and is scheduled to go into effect in early September.

B. F. Goodrich will purchase the assets and business of the Sponge Rubber Products Co. Sponge Rubber will continue to manufacture chemically blown rubber products and latex and foam rubber products as a subsidiary of Goodrich. Its executives will be retained.

The U.S. Steel Foundation has announced a program of aid to liberal arts colleges. Grants for 1954 will total \$700,000 and will go to the National Fund for Medical Education, the United Negro Colleges, and other institutions.



picks waterproof, fireproof **FOAMGLAS** to insulate Atomic Sphere

The G. E. Atomic Sphere is 26 times larger than any previously built. It has a surface area of 159,000 sq. ft. Inset photo shows how easily the lightweight FOAMGLAS blocks were handled by the workmen. This rigid insulation was more than strong enough to support their weight, yet easy for them to cut and shape.

General Electric Company engineers picked waterproof, fireproof FOAMGLAS to insulate the world's largest steel sphere. The Knolls Atomic Power Laboratory, Schenectady, which G.E. operates for the A.E.C., will use the sphere to test the prototype of an atomic powered submarine for the U.S. Navy. *Constant* control of temperatures is a must for worker comfort. Therefore, to insulate the sphere FOAMGLAS was a must because its sealed glass cells can't absorb the moisture that

cuts efficiency of other insulations. This guarantees GE *constant, long-lasting* insulating protection . . . and fireproof FOAMGLAS reduces external fire hazards which might damage the sphere.

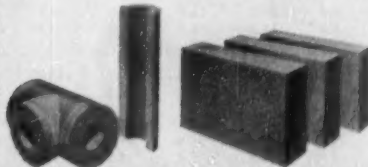
Why not discover how FOAMGLAS can benefit *you*? Send today for a sample and your choice of booklets describing the use of FOAMGLAS to insulate: 1) piping, tanks and other equipment; 2) cold storage space; or 3) normal temperature buildings. Write, indicating your specific interest.

PITTSBURGH CORNING CORPORATION

Dept. F-74, One Gateway Center • Pittsburgh 22, Pa.

FOAMGLAS®

the cellular, stay-dry insulation

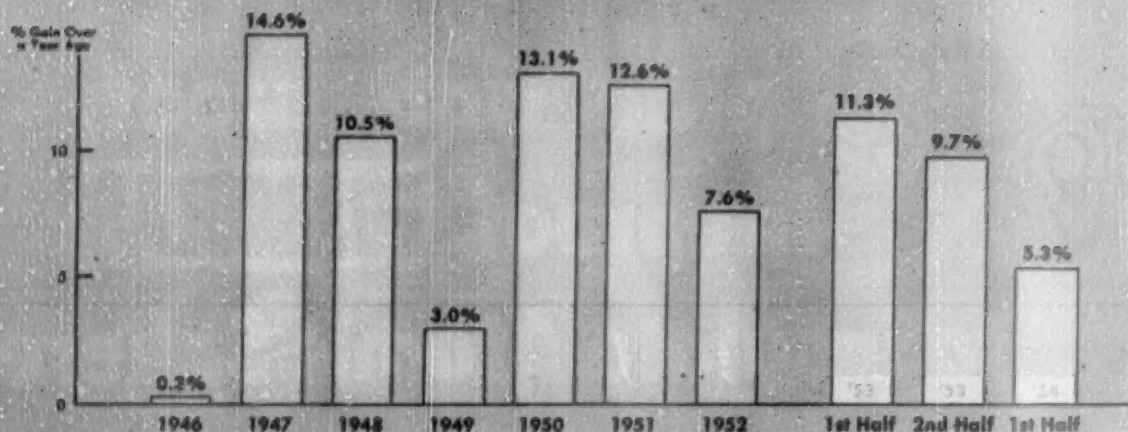


Pittsburgh Corning
also makes
PC Glass Blocks

The Recession Hardly Bothered

Utilities Today:

A dip in industrial use of electricity has slowed year-to-year gains in over-all output...



Data: Edison Electric Institute

... But dollar sales of most companies continue to rise and profits hold up well

(millions of dollars)

Company	1946	1951	1952	1953	Latest 12 Months
AM. GAS & ELECTRIC					
Gross Income	114.2	195.0	306.1	222.5	234.1
Net Income	18.2	34.3	27.3	30.9	30.3
CAROLINA PWR. & LT.					
Gross Income	19.4	39.9	47.5	53.9	59.0
Net Income	3.8	3.8	7.5	7.5	7.5
CONSUMERS POWER					
Gross Income	67.6	128.4	137.4	157.4	164.0
Net Income	14.2	19.3	19.8	24.8	25.7
DELAWARE PWR. & LT.					
Gross Income	13.8	23.0	25.7	28.4	29.4
Net Income	2.3	3.3	3.6	4.2	4.4
DALLAS PWR. & LT.					
Gross Income	10.5	21.1	24.4	28.0	29.1
Net Income	2.3	3.5	4.4	5.0	5.5
DETROIT EDISON					
Gross Income	90.8	164.0	172.6	192.1	193.3
Net Income	18.6	15.4	17.2	20.5	20.7
FLORIDA PWR. & LT.					
Gross Income	26.0	54.7	61.4	69.4	71.0
Net Income	4.6	6.7	7.8	8.9	9.1
GULF STATES UTIL.					
Gross Income	14.9	32.8	37.1	42.7	44.1
Net Income	3.3	6.0	7.1	9.4	9.6
HOUSTON LTD. & PWR.					
Gross Income	20.9	41.0	47.7	55.1	54.5
Net Income	5.3	7.0	8.8	10.3	11.0

Company	1946	1951	1952	1953	Latest 12 Months
ILLINOIS POWER					
Gross Income	30.2	51.0	54.7	61.9	64.4
Net Income	3.1	8.0	8.7	9.4	9.3
MIDDLE STATES UTILITIES					
Gross Income	70.9	112.4	116.0	127.2	132.3
Net Income	7.2	10.9	13.5	15.7	14.1
N. Y. STATE E. & G.					
Gross Income	35.4	57.1	63.4	68.1	70.1
Net Income	4.4	6.3	7.5	9.1	9.6
NIAG. MOHAWK PWR.					
Gross Income	117.7	176.3	189.3	203.2	209.1
Net Income	15.6	20.7	23.1	26.3	26.9
NO. STS. PWR. (Minn.)					
Gross Income	56.0	88.7	100.0	109.4	113.9
Net Income	10.1	12.1	15.5	16.1	16.6
OHIO EDISON					
Gross Income	37.1	96.1	101.4	106.4	107.7
Net Income	6.5	13.9	16.1	19.3	19.6
PACIFIC GAS & ELEC.					
Gross Income	167.9	279.3	314.0	344.3	360.3
Net Income	25.4	36.9	47.0	59.7	59.3
PENN. PWR. & LT.					
Gross Income	33.5	84.7	87.3	100.2	106.1
Net Income	7.0	12.6	13.3	16.9	19.1
PHILADELPHIA ELEC.					
Gross Income	105.5	165.1	175.3	187.0	166.6
Net Income	19.1	25.5	27.9	29.8	30.6

Them at All

There are many veterans of Wall Street who will tell you that, in times of economic uncertainty, the best thing to do is buy electric utility stocks. Time and again, these veterans maintain, utilities have proved themselves resistant to the ups and downs of general business. This theory is backed up fairly well by the chart and tabulation at left.

The utilities did not breeze through the 1953-54 recession completely unscathed. The rate of gain in power production has slipped, as the last three bars in the chart indicate. But this has not bothered the utilities much financially. For almost all of them, income and profits have held up handsomely. For some of them, income and profits have climbed.

• **The Reason**—The explanation of this phenomenon hinges on a distinction among electric power customers.

The slowdown in year-to-year power production gains is a result of a slowdown in industrial power use—which, in turn, is a result of the recession. Industrial customers buy power in huge amounts. They pay bulk rates. For the electric utilities, sales to industry bring in a relatively small profit per kilowatt-hour of electricity.

On the other hand, commercial and residential users of power pay relatively high rates, because they buy power in smaller amounts. Unit for unit of power, these customers give utilities the highest profit. And during the past year, while industrial power use has tapered off, commercial and residential use has expanded. Hence, utility income has held up even though the big customers have lagged behind.

• **Consumers**—Consequently, it is not hard to see why the small customers are dearly beloved by utility men. These small customers are retail stores, office buildings, service shops, and the like. Alongside them, perhaps the most valued customer of all, is the ordinary U.S. household.

Ever since the end of World War II, the household has been gathering electrical appliances steadily. As a utility man points out, "Every new air-conditioning unit, television set, and electrical household appliance broadens the sales base. In some communities, in fact, revenues coming from new air-conditioning systems installed during the past year are greater than the dollars lost from the dip in factory demand."

Largely because of the consumer's love of things electrical, you find companies like Duquesne Light Co., in the heavily industrialized Pittsburgh area, with a \$300,000 drop in gross income from last year's first quarter to this year's—but a \$100,000 rise in net profit.

• **Expansion**—Utilities—also largely because of the consumer—have been expanding steadily, right through the midst of the recession. Spending for new plants this year is scheduled at around \$2.9-billion, slightly more than the total in 1953. To date, there have been no cutbacks in scheduled expansion as a result of the recession.

U.S. utilities have built \$15.5-billion worth of new, more efficient generating plants since the end of the war. New plant construction since 1946 has boosted capacity from 50.1-million kw. to 91.5-million, and by the end of this year the figure will probably top 100-million.

All this new plant has been demanded by a steady, long-term growth of industrial, commercial, and consumer demand—and, in some parts of the country, by ravenously power-hungry atomic energy installations. The new generating plants are more efficient; they produce electricity more cheaply. They have played a big part in holding utility profits up.

• **Wall Street**—All these trends have made utility stocks popular with many Wall Street investors. These investors like to think of utility stocks as "defensive" issues—good to hang onto in business dips. The value of a utility stock, these market men say, neither rises nor falls so sharply as other kinds of stock values in market currents.

Last year, between January and September—when the stock market was declining—Standard & Poor's index of 50 industrial stocks fell something more than 16%. During the same period, the index of 20 utility stocks dropped only some 7%.

The opposite effect took place after September, when the market began its spectacular climb. The industrials index moved up faster than the utilities index.

During this period of climb, some investors have shunned utility issues because of their slower action. However, Wall Streeters who have held utility stocks loyally over the years enjoy gloating over this fact: The utilities index is now perched 14.1% above its level in



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More
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You can make your heaviest lifts, maintain a more-than-ample safety factor, yet reduce the weight and size of your slings with Yellow Strand Braided Safety Slings. They have 45% less bulk, 80% less weight than BBB chain slings, yet have a 25% greater safety factor; 12% less bulk, 66% less weight and 20% greater safety than alloy chain slings. You get a bonus in a non-marring, non-slip grip and in exceptional flexibility with handling ease.

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SPECIFY...

Yellow Strand

For Safety... Savings... Service

January, 1953. The fast-climbing industrial index is only 13.1% above its level in last year's January.

• **Ahead**—Here's how Wall Street now sees the utility outlook:

Revenues: Will probably show gains in the months ahead as commercial and residential customers continue to step up their buying, and as industries climb out of the recession.

Operating income: New, efficient plants will continue to cut power production costs. Labor and materials costs have shown signs of stabilizing at present levels; this leads many observers to feel that the postwar inflationary forces are petering out.

Net profits: Utilities will have to keep issuing securities to finance expansion, and this will mean a continued high level of capital charges. But this

is not expected to hurt profits. Most Wall Streeters expect utility profits to increase.

Dividends: Increases are on the way. Some utilities, planning to make new equity offerings, may elect to pay out extra-big dividends to make their stocks look attractive on Wall Street.

• **The Long Term**—Utility men and many Wall Streeters are confident that the long-term future of the electric utility industry is bright. Once industry recovers from the recession, these men feel, it will once again demand increasing amounts of electric power. Consumers and commercial customers will keep on asking for more electric power, too.

To many Wall Street investors, these factors make utility stocks look as dependable as bonds.

Sequel to the N. Y. Central's Capture

Texans whose 800,000 shares helped Young win shift control of them to Young interests.

Last winter Texas millionaires Clint W. Murchison and Sid W. Richardson bought 800,000 shares of New York Central stock to give a hand to their friend Robert R. Young in his successful fight for control of the Central (BW-Mar. 4 '54, p. 26).

Last week, five months later, it became evident that Murchison and Richardson were divesting themselves of personal ownership of the stock—just as plenty of people predicted at the time the two bought it.

• **Petition**—The news came out last week in a petition filed by the Young-controlled Alleghany Corp. with the Interstate Commerce Commission. Alleghany was arguing that it is still a "carrier" and therefore subject to ICC regulation, rather than an investment company under the thumb of the Securities & Exchange Commission. From Alleghany's statements it appeared that the company and its president, Allan O. Kirby, had:

• Acquired sole voting rights for the entire block of 800,000 shares of Central stock.

• Bought outright 500,000 of the shares from the Texas pair. Voting rights to 600,000 of the shares were acquired after a complicated series of deals by which Alleghany also picked up an undivided half interest in the block under a "joint venture agreement," by which Richardson and Murchison still own the other 300,000 shares, but cannot vote them. At the same time Kirby himself acquired the remaining 200,000 shares.

• **No Cash**—Actually, the two Texans had not put up a cent of their own cash when they first bought the 800,000

Central shares from Young's old love, the Chesapeake & Ohio Ry. The whole \$20-million purchase price—\$25 a share—was financed by loans. Alleghany itself provided \$7.5-million, Kirby put up \$5-million, and a bank group came in with the other \$7.5-million.

The original deal also gave Richardson the right to require Kirby to buy 200,000 of the shares at \$25 a share. He has since exercised that option.

The Alleghany loan included a conglomeration of stock options and joint agreements. One provision gave the Texans the right to sell 400,000 of the shares to Alleghany at the \$25 cost price. Apparently, the Texans have just sold 300,000 of the shares under that option.

• **Position**—Alleghany seems to have suffered a smaller paper loss through this re-purchase than Kirby did through the other one. Young's long-time associate seems to have lost around \$600,000—on paper—since Central stock is selling on the Big Board around \$23 instead of the \$25 that Kirby had to pay Richardson.

Alleghany's position is less unhappy because the loan agreement provided that certain "joint venture agreements" should go into effect if more than 200,000 of the shares were tendered by the Texans for purchase. With this agreement in effect, as it seems to be now, Alleghany—though it is called on to supply all the needed capital—is:

• Entitled to half of all income and profits.

• Guaranteed against loss by the two Texans.

• Guaranteed a return of 4½% on all the money it has invested.

Working Capital Grows But Not in Liquidity

Net working capital of U.S. corporations continued its climb in the first quarter of 1954, reversing the slight downtrend of the final quarter of last year. The total of \$92.9-billion registered in the Securities & Exchange Commission's figures for the end of the first quarter was up \$400-million from the final year-end total.

The gain made up approximately half of the \$800-million loss in 1953's last three months.

• **Spread**—The jump in working capital figures out this way: Corporate liabilities in the first quarter dipped deeper below last-quarter-1953 levels than did corporate assets. Liabilities were down \$6.9-billion, assets dropped off only \$6.5-billion. The dip in liabilities in two categories more than offset rises in others:

• **The Mills Plan**, requiring 45% of 1954 corporate taxes to be paid in the first quarter, was the lever that moved federal income tax liabilities down by \$4-billion during the quarter. That left total corporate tax liabilities at \$15.3-billion, their lowest mark since mid-1950.

• A \$3.5-billion chunk taken out of notes and accounts payable reflected efforts of businesses to work off inventories and trim liabilities in the face of a business slump.

• **Liquidity**—While working capital gained in dollars, other measures of corporate liquidity continued to stick at levels far below postwar highs (BW-May 15 '54, p. 48)—closer, in fact, to 1939 levels.

Current assets in 1954's first quarter covered current liabilities only 1.9 times—little better than 1939's 1.8 times, way off the postwar peak of 2.18 times hit in 1951.

Two other liquidity yardsticks showed the same pattern. Quick assets (government securities, cash, and receivables) in the first quarter covered current liabilities 1.23 times, compared with 1.18 in 1939 and a 1945 postwar high of 1.48. The ratio of governments and cash to current debt was 52% in the first quarter of this year—a bit skimpy compared with 1945's 90%, and not much above 1939's 42%.

• **Growth**—Expansion of plant and equipment in the first quarter, according to SEC, totaled \$5.2-billion, three-fourths of it financed from retained profits and depreciation reserves. Of the funds obtained in the capital markets, the gap between dollar volume of stocks and bonds was slimmer than many had expected—\$900-million of bonds, compared with \$700-million of stock.



How Fosbond helps make Caloric Dryer a beautiful buy

The new Caloric Gas Clothes Dryer has to have an unusually durable finish both inside and out—one that will stay like-new for years, in spite of extreme and regular exposure to moisture and heat.

To help Caloric meet these high requirements, Pennsalt specialists made a comprehensive plant survey. Working closely with Caloric production men, they devised a Fosbond cycle for use on dryer parts prior to final finishing with Glidden's Nu-Pon. Fosbond 10, a zinc phosphate solution for spray application, was selected as the phosphatizing agent.

The Fosbond® Process provides lifetime corrosion resistance and creates an ideal surface for an organic finish—making it easier to apply, and promoting a smoother coating firmly "locked" to the base metal. In addition to the necessary materials, Pennsalt offers *continuing* technical assistance to keep the Process smooth-running, trouble-free. And behind Fosbond stands Pennsalt—a major chemical producer with long experience in the metal processing field.

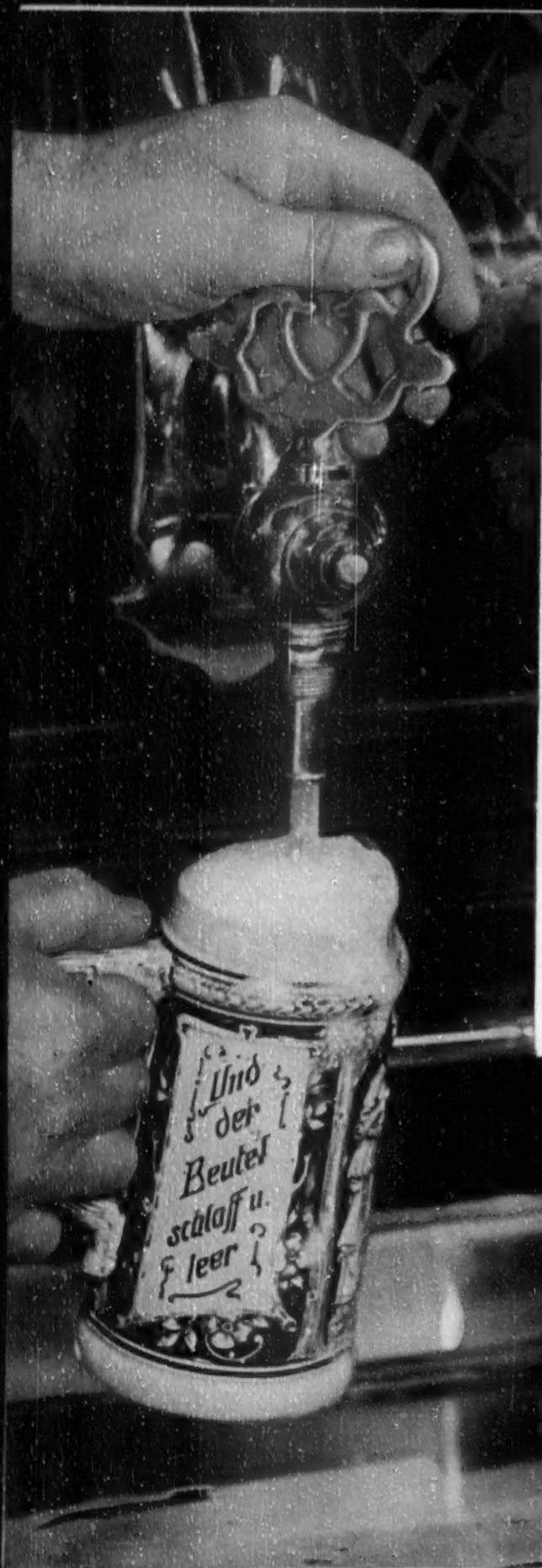
If your plant and product would benefit from a *better* phosphatizing process and the merchandising value

of the Fosbond-Good Housekeeping emblem, you ought to know more about Fosbond. Let us make a survey of your finishing operation (takes but a few hours . . . no obligation). Write: Customer Service Dept., Pennsylvania Salt Manufacturing Co., 808 Widener Bldg., Phila. 7, Pa.



**Pennsalt
Chemicals**

Pennsylvania Salt Manufacturing Co.



THE BIG SWITCH IN BEER MARKETING

Not so many years ago draft beer was the big seller. Today, three-quarters of all beer sold in the U. S. is *packaged* beer.

You'll now find smart retailers merchandising canned beer just the way they do any other product.

For example, it's simple to build mass displays for mass sales with beer in Continental cans. The containers may be stacked high, or poured into tempting jumble displays.

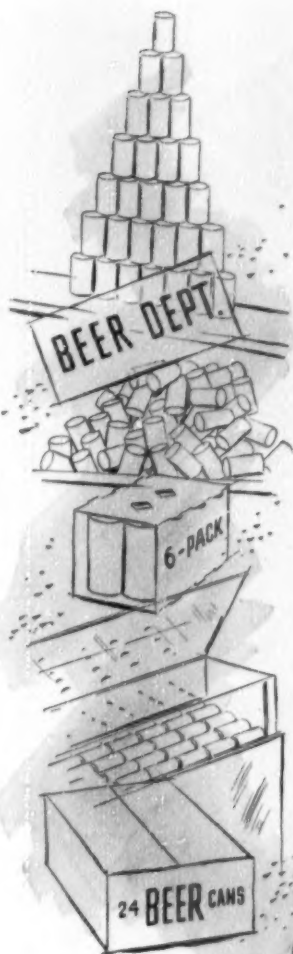
Canned beer also facilitates setting up special Beer Departments. Multiple-unit sales are the rule, for even a 24-can case is easily carried home. Moreover, because of the compactness of cans, a large supply of chilled beer can be crowded into the average store refrigerator.

There are so many good ideas for promoting canned beer that Continental has prepared a special film on the subject. Brewery salesmen all over the country have seen it and are taking its practical suggestions to food store, package store and tavern men.

You see, Continental aims to be more than a supplier of a great variety of containers. Whenever we can, we help our customers to *sell* products packed in our containers.

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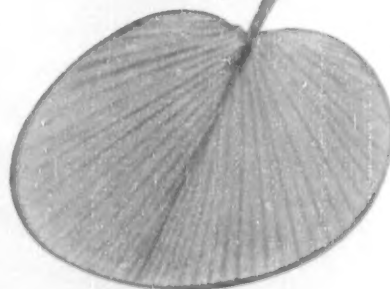
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It has been outstanding in these
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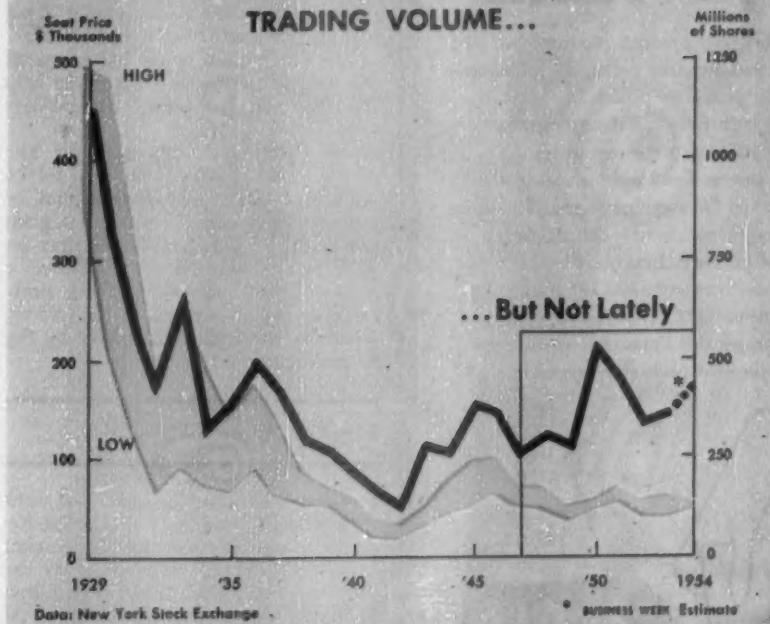
ALUMINUM COMPANY OF AMERICA

*Registered Trademark, Aluminum Company of America

Seat Prices on the N. Y. Stock Exchange

Once were keyed closely to

TRADING VOLUME...



They're Lagging Far Behind

Until a few years ago, the price of seats on the New York Stock Exchange used to move pretty much in tandem with the volume of trading activity. But since then, the close correlation has loosened; from the 1929 peak to the end of last year, Big Board seat prices had fallen about twice as far as trading volume.

The gap between price and volume started opening up in 1947. And in 1950, when the Korean War spurred trading to nearly double its 1949 volume, the price of seats failed to keep pace. All through the postwar years, despite fairly broad swings in volume, seat prices have moved in the relatively narrow range from \$70,000 to \$35,000. The range is narrowing still more; last week a seat went for a 1954 high of \$53,000, against a low for the year of \$45,000. (In 1929, a seat went for \$495,000.)

• **Big Supply**—Basically, the low price of seats is due as much to heavy supply as to slackening demand. In the 1929 boom, the exchange increased the number of seats from 1,100 to 1,375, and there were still 1,348 of them at the end of last year. Since the start of 1953, the governors have been working on a plan to drop 50 seats by Feb. 1, 1957. But they are offering only \$45,-

000 per seat. At that low rate they were able to pick up nine seats last year, but none so far in 1954.

Actually, the Big Board would rather stimulate demand for seats than to trim the number available. But it knows the odds are against this, despite the hopes that are glimpsed in the rising needs for equity capital and the fact that many shares are still selling far below book value.

• **Slackening**—Trading volume shows no signs of recapturing the old days. Thus in 1929 there were only 757-million shares listed, yet turnover was 1.1-billion shares. In 1953, the number of shares listed had almost quadrupled, close to 2.9-billion, yet turnover was a meager 354.8-million. And in 1954, despite the impetus of a bull market that in some respects tops 1929's, total volume seems to be headed for no more than 425-million shares. Expressed in percentages of shares outstanding, the trading volume has fallen from 1929's gaudy 119%, to a postwar range of 12%-24%. Last year it was 12%.

The decline in volume springs partly from changes in the nature of the market itself, and partly from external factors:

• The general public is doing much less trading for investment than

in the South

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Rolls, pies, bread, and the host of other tasty products produced by our giant baking industry present many packaging problems—solved by Rhinelander protective papers.

The problem of keeping baked goods oven-fresh and the companion problem of preventing package stain from shortening are both readily licked by paperboard cartons lined and laminated with special Rhinelander Glassine and Greaseproof papers. This is an inexpensive way to assure moisture and flavor control. Other bakery uses for glassine and greaseproof papers include outer wraps for bread and rolls, insert labels, pan liners and other applications where greaseproofness or moisture and flavor control plus attractiveness are required. Don't overlook this important ingredient—Rhinelander specialty papers—in your packaging operation.



Rhinelander papers come in a variety of standard grades, or they can be tailor-made to fit your needs. Write for samples, stating your application.

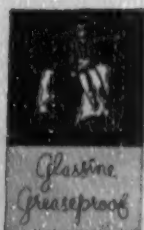
Glassine and Greaseproof Papers...

plain, waxed, wax laminated, or coated, are used for inner and outer product wraps • product bags and envelopes • insert labels • for laminating to other packaging materials like foil, boxboard and films • packaging accessories, and scores of other applications in the food packaging industry where greaseproof qualities are essential.

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... for Economical Packaging

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it did in the old days. And the big institutional investors hang on to their purchases.

- The day of the floor trader has pretty much passed, and few members now trade heavily for their own account—a type of business that played a big part in the soaring volume of 1929.

- The general public has sworn off the wild speculation that used to help push bull market volume for single days above 3-million shares.

- Taxes take a much larger bite of the trader's profit than they did 25 years ago. Short-term trading can be especially expensive, because its gains fall in the high federal income tax instead of the lower capital gains levy.

- Higher commissions have probably dampened enthusiasm for trading, especially the recent 18% hike by Big Board members.

FINANCE BRIEFS

Business loans tumbled again last week (BW-Jul.10'54,p41). The Federal Reserve reported loans of 94 member banks were off \$156-million from the previous week, with New York City's \$53-million drop leading the way. At the same time, the Federal Reserve Bank of New York noted that businesses are switching some of their borrowing to the commercial paper market. Commercial paper outstanding at the end of June totaled \$656-million, a jump of \$38-million from the week before.

The Baltimore & Ohio RR purchased another \$5-million block of its own 4% bonds, due 1965, from Glore & Forgan & Co. The bonds, formerly held by RFC, will be used to release stock of the Buffalo & Susquehanna RR, held as collateral. Buffalo & Susquehanna is up for merger with the B&O. Glore, Forgan still holds \$55-million of the bonds.

Black markets in money seem to be on the wane because of healthier economies of major countries according to Franz Pick, international money expert. Pick estimates that only about \$6-billion will be exchanged under-the-counter this year, compared with \$13-billion in 1953.

U. S. Steel Corp. has registered \$300-million worth of debentures with the SEC, and will offer \$225-million of the bonds publicly through Morgan Stanley & Co. on or about July 29. The remainder will be sold to the company's pension fund. Proceeds of the issue will be used for expansion and modernization of plant and equipment.



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can pay for itself
seven times over in ten years!**



In addition to increasing business, York eliminates expensive fall "shut-down" and spring "start-up." Entire cooling circuit is hermetically sealed like a light bulb. Dirt and moisture can't leak in, costly refrigerant can't leak out. That's why the entire cooling circuit of a Yorkaire Conditioner (not just the compressor) is covered by York's full 5-Year Protection Plan!



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Dependable—York's famous 5-Year Protection Plan on the entire cooling circuit can literally save you hundreds of dollars in comparison with other makes. If the hermetically sealed cooling circuit of your Yorkaire Conditioner proves defective in any way because of faulty materials or workmanship, York will repair the defective part or replace the entire cooling circuit without cost!



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MARKETING



CIMARRON, one of Bigelow-Sanford's "second line" offerings, is designed for . . .

Tapping a New Rug Market

Bigelow-Sanford tries dual distribution with a second line that sells through wholesalers. Aim: to build sales by getting more outlets and to make full use of resources.

The rug in the picture above is part of Bigelow-Sanford Carpet Co.'s "second line"—by which the company hopes to anchor down its skidding sales.

Like most of the carpet industry, Bigelow-Sanford is plagued by a productive capacity that is greater than the market will bear. Early this year, the company decided to gamble on two distributive pipelines—rather than one—in the hope of tapping a new market.

For some years, the company has sold its Bigelow line direct to retailers—following the marketing pattern of about half the industry. The Bigelow line still takes this path to the consumer. But last January Bigelow-Sanford took a tack that is an innovation in present-day carpet marketing. It brought out the Sanford line, which it sells to wholesalers.

• **The Odds**—In taking this step, the No. 1 carpet manufacturer raises some questions about an old sales-building device. In these days of plentiful production and a balky market, you hear a lot of talk about the potentials of a second line. Usually it aims at one of two objectives: It angles to catch a lower-income market through a less expensive product; or it aims simply at broader distribution, by getting more outlets than a franchised line can support.

For Bigelow-Sanford, the second consideration was the prime one. In the

traditional woven carpet, it's estimated that the industry is operating at around 65% of capacity. This is an ailment that hits the venerable giants in the field especially hard. And Bigelow-Sanford—with net sales last year of \$73-million—is the biggest of them all.

• **End of Spree**—The carpet industry lays the present doldrums mainly at the door of the big postwar buying spree—and particularly the post-Korea buying spree. Like the hardgoods people, carpet producers got overenthusiastic—and retailers got burned with inventories. Since then, they have been buying with the utmost caution.

First-quarter financial reports bear out the generally gloomy picture. Thanks partly to lower prices, Bigelow-Sanford's own sales fell from \$20-million in the first quarter of 1953 to \$15-million in 1954; net profit was down from \$1.2-million to \$66,000. Other companies reporting also showed declines.

• **Second Line**—It was back in 1952, when industrywide woven carpet production was running around 62-million sq. yd. (against 85.7-million in 1950) that Bigelow-Sanford first began to weigh a second line as a way out of its dilemma.

Though it had had a dual distribution setup in the early 1930s, such a step would drastically reverse the postwar trend to greater selectivity of outlets.

Since the war, Bigelow-Sanford, like other companies, has put its big efforts into (1) paring-down a dealership too big to service, and (2) keeping its inventories in line. Prewar, Bigelow-Sanford had some 10,000 retail outlets; today it has some 4,500.

This program made sense for the medium-to-higher-priced Bigelow line, which ranges from \$4.95 a sq. yd. at retail to \$24.95. It gave the company a hand-picked parcel of retailers. Bigelow's big sales push has always been behind the \$10 to \$11 carpet—and at this price some sales effort is needed.

• **Untapped Market**—But the direct-to-retailer distribution left a huge market untapped. In all, there are some 30,000 to 35,000 retail stores in the U.S. that sell rugs and carpets. Bigelow's 110-odd salesmen were calling on perhaps one out of nine of the existing stores. The cost of calling on the others just wasn't worth the expense.

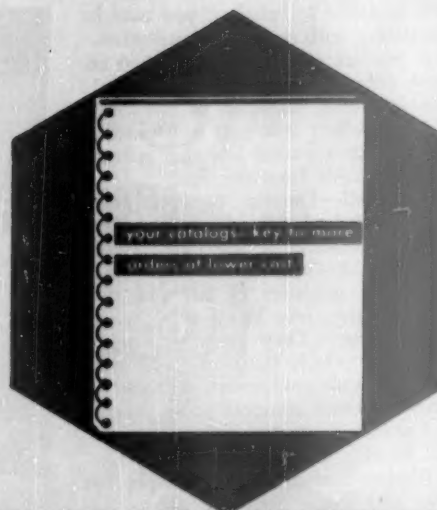
A second line, marketed through distributors, would get around this difficulty. The company had the plant capacity; it lacked a distribution setup that could cover the retail waterfront. The great strength of selling through distributors has always been that the wholesaler, working on a regional basis, could get all those smaller outlets. That, says Robert W. Howison, vice-president for sales of Bigelow-Sanford Carpet Co., is what the Sanford line aims to do.

The beauty of such a plan, says Howison, is that it makes full use of the company's resources, not only in production capacity, but in its pool of skilled production, design, and merchandising forces.

• **Pitfalls**—The carpet trade is following Bigelow-Sanford's experiment with the sharpest interest. Will it work?

A second line always opens up some pitfalls. It's true that you may capitalize on a well established name to find a market for a second product. Even if your second line is an inferior product you may put it across if you have strong distribution channels. But you run the risk of torpedoing your top line, especially if that top line has won a spot in the prestige market. Even if, as some appliance manufacturers do, you bring out identical lines under different name plates to sell at different prices (or even at the same price), you run this risk just the same.

You also run a chance of getting your retailers mad with you. A retailer who has had something like a franchise on a line may not take kindly to seeing products of the same manufacturer turn up in every other store. If you market your products through wholesalers as



how to rate your catalogs' sales performance

catalog design—Are your catalogs designed to make it easy for potential customers

[1] to identify your products as the answer to their needs

[2] to call in your representatives?

coverage—Are you sure your catalogs have been sent to the offices of all important potential customers for your products?

maintenance—Do you know whether or not your catalogs are maintained in all these offices so that they are instantly accessible?

coordination—Do your ads lead each interested reader quickly to your catalog to increase the chances that he will call in your representative?

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well as direct to retailers, you may be competing with your own customers.

If you set out to bring out two entirely different lines, you may run into trouble. Some members of the carpet industry believe it is next to impossible to build up a second line that is really distinguishable from the first.

• **Optimistic**—Despite the pessimists, Bigelow-Sanford officials—and particularly the officials of the new Sanford Carpets Div.—believe they can do it. They cite instances of hat and shoe manufacturers who successfully market several lines. They cite the case of Hotpoint, which back in 1947 went into large-scale production on goods that were in direct competition in quality and price with its parent company General Electric Co.'s appliance lines.

Bigelow-Sanford believes it knows the risks and has a setup that minimizes them. It has learned from its own experience some of the things it can't do. A few years ago it tried to market both the low end and the high end of its Bigelow line under separate brand names, but through its regular distribution channels. The attempt flopped. It meant too heavy an inventory load for its own warehouses and negated some of the good work the company had done in curtailing its outlets and its inventory.

Company officials expected some squawks from their Bigelow dealers when the new plan went into effect. Actually, they say, they have had very few. They have already lined up nine distributors, covering 60% to 65% of the total market. Howison points out that there is no conflict of interest at all in many communities where the Sanford carpet sells because no one carries the Bigelow line.

• **Dividing Line**—Sanford Carpet Div. aims to keep a clear line between its products and Bigelow carpet. It has a separate sales force, under Frank L. Miller, sales manager. It has separate show rooms in New York and Chicago. There is no mention of Bigelow anywhere on the Sanford label.

Productwise, Sanford officials point out the differences between the two lines. Whereas Sanford carpets, like Bigelow, start at \$4.95 a sq. yd. at retail, the Sanford line stops far short of Bigelow's top price; Sanfords currently run no higher than \$11.95.

They believe they can achieve a measure of difference in the product itself. Since the Sanford line is brand new, it has no style tradition to stick to; its designers can branch out into bolder, newer designs.

Some developments in today's marketing, too, should help the Sanford line. One is the increasing trend to suburban retailing. These smaller, relatively scattered outlets often buy through wholesalers.



FANCY PIPES are latest fad for women, perhaps due to cigarette cancer scare. It's . . .

Briars on the Distaff Side

With striped and tricked up pipes, and softened down tobaccos, manufacturers are making a grab at milady's fondness for something new.

Whatever the cancer scare may do eventually to cigarette smoking, it has already given rise to a new fad. Women—some women, anyhow—are taking up pipe smoking, thanks to plentiful coaxing by the pipe and tobacco industry.

The industry doesn't like to put the matter in such blunt terms, but what it is trading on is the fact that pipe—and cigar—smoking showed up favorably as compared to cigarettes in the recent American Cancer Society report (BW—Jun. 26 '54, p. 24). So far, however, the cigar people don't seem to have jumped on the lady's bandwagon the way the pipe industry has.

• **Rush Is On**—The Pipe and Tobacco Council, which has had considerable to do with the boom in feminine pipe smoking, figures that some 50,000 women have taken up pipes in the past few weeks. The idea has caught on to the point where pipe and tobacco manufacturers, department stores, and specialty shops can't keep stocked on ladies' pipes. Prior to all the hullabaloo, the council reckons, there were only about 150,000 lady pipe smokers in the country, most of whom puffed on in private.

Then came Mrs. E. Cuyler Hammond, the wife of one of the doctors who co-authored the ACS report on cancer and tobacco. The news services got shots of her puffing rather tentatively on a pipe. (She's cut her cigarette smoking down to about half a pack a day.) On top of this, movie star Jean Simmons publicly followed suit—and the fun was on.

The council got a designer to turn out a lot of zany items, including zebra-

striped pipes—to match a dress, of course—pipes with rhinestones in the bowls, and bejeweled tobacco pouches. Immediately this added something new to the industry; for, as the council hastened to warn its members, a decorated pipe or pouch subjects it to the Bureau of Internal Revenue's 10% excise tax.

Miniature, or so-called ladies' pipes, have been on the market for years. But the new ones are something else again. They feature not only small bowls, but long stems, graceful curves—and those decorations.

• **Tobacco, Too**—Leading pipe manufacturers—like Kaywoodie, Knickerbocker, Dunhill, National Briar, and Wally Frank—are turning out ladies' pipes as fast as they can. Radio and TV shows are featuring them, and retailers from coast to coast are swamping suppliers with orders. Wally Frank, for example, says it has sold 18,000 ladies' pipes since the end of June, and Knickerbocker estimates it already has more than quadrupled usual annual sales of its miniature pipes, which it is now calling ladies' briars. Tobacco manufacturers are now coming out with special mild blends for women smokers.

Whether all this will turn out to be merely a fad, or whether a real trend has been born depends on repeat orders. Several manufacturers say their ladies' tobacco is being bought and re-bought by the same customers. Says one: "The same women keep coming back for more. They must be doing something with it—I assume they're smoking it, and enjoying it."

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Sears Tries Charge Accounts

Mass-merchandisers are farther than ever from cash-and-carry . . . FTC won't drop the Duff-Pillsbury case . . . Clothing sales take a dip . . . Bullock's fights back . . . Budweiser cops No. 1 spot . . . Firth hits a snag.

It's a sign of the times that Sears, Roebuck & Co. is thinking about getting deeper into credit selling.

For years, of course, Sears has had means for handling installment buying on big-ticket items. These contracts are O.K'd individually. But like many other low-cost, big-volume merchandisers, Sears, Roebuck hasn't had charge accounts.

Now Sears is trying, strictly on an experimental basis, a form of revolving charge account.

It works like this. The customer applies for a charge account, makes his own estimate of how much he is good for each month. If Sears approves this amount, the store allows him a maximum amount six times the monthly figure.

Thus, if a customer said he could pay \$30 a month, the maximum amount he could charge at any one time would be \$180. Sears bills him each month, adds 1½% of the unpaid balance as a service charge.

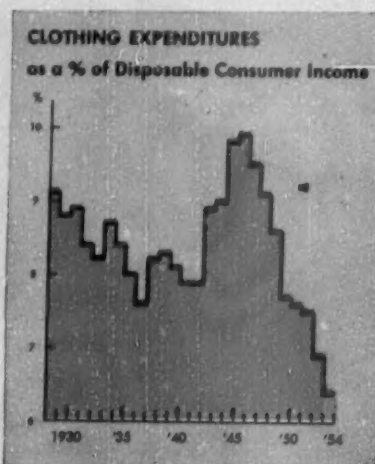
The Federal Trade Commission won't drop antimerger charges just because a company gets rid of its challenged assets after FTC has begun legal proceedings. This is the essence of a key ruling handed down last week by the full commission in its Clayton Act case against Pillsbury Mills—the first FTC has brought since that statute was toughened up in 1950. FTC is still feeling its way under the revised law.

The Pillsbury case, as yet in the hearing stage, unfolded this way: In the summer of 1952, FTC charged Pillsbury with violating the antimerger law by buying up the assets of two competitors—Duff's Baking Mix Div. of American Home Foods, Inc., and Ballard & Ballard Co. Last winter, Pillsbury unloaded Duff to a newly formed Duff Baking Mix Corp. (BW—Jan. 2 '54, p. 28).

Government lawyers then asked that the new Duff firm be included in FTC's case against Pillsbury (BW—Apr. 24 '54, p. 54).

Last week's ruling denied the request to make Duff a party to the case. But the commissioners were unanimous in holding that the sale does not dispose of the basic issue—whether Pillsbury

violated the law by buying Duff and Ballard in the first place.



For several years, people have been spending less and less of their disposable income on clothes (chart, above). Now the harassed textile trade has a new worry—the percentage figures are dropping so low they are pulling down the actual dollar volume of clothing expenditures, which for some time had been kept up by the expanding population and other factors.

Estimates compiled by the Wool Bureau, Inc., show that Americans spent \$17-billion for wearing apparel last year (down from the record of \$17.4-billion in 1952)—representing 6.9% of their spendable earnings as compared with an estimated 7.5% the year before.

There are several reasons for this trend, which has been in the making for many years. First is the desire for casual living—and the downfall of formal men's suits, complete with vest and hat. This holds true for children's clothing as well as adults'; cowboy suits and denims have replaced the suit for everyday wear for boys. Also, the rise of the synthetic and blended fabrics means less use of the more expensive wool and silk. Then too, such refinements of living as better heating systems in homes and cars have shortened the season for warm clothing—and it's the warm clothing that brings in the big money.

Based on figures for the first quarter

of this year, the picture for 1954 is even gloomier: Clothing expenditures are expected to drop to \$16.1-billion—only 6.4% of disposable income. Wool Bureau economists say this trend "underlies the increasingly competitive character of the industry."

Downtown stores have found a new way to fight suburban competition.

The latest twist comes from Los Angeles, which has just completed a network of freeways through the downtown section. These new highways, which whisk people in and out of town with almost no bottlenecks to stop them, have given Bullock's Downtown an idea.

Bullock's Downtown, on just about the busiest corner in town, is taking full-page newspaper ads to call itself Los Angeles' "newest neighborhood store." Bullock's point is that the highway that gets you out of the city also gets you in:

"This superhighway revolution is becoming a revelation to thousands of Southern Californians who are discovering each month the ease with which they can zip in and out of the heart of our city (and our store)."

Budweiser beer has won top spot in the St. Louis market, with chain store and supermarket sales running an estimated 40% ahead of its two local competitors, a check of St. Louis retailers this week disclosed. This was the prize Anheuser-Busch, Inc., was angling for when it slashed Bud prices a month ago (BW—Jun. 26 '54, p. 52)—to meet the \$2.35-per-case tariff charged by Stag and Falstaff, the two local beers that had been outselling Bud in St. Louis.

In the highly competitive beer market, the big national breweries are pitted against local beers—as well as against each other—in an all-out sales fight (BW—Jul. 3 '54, p. 69). In St. Louis, Pabst announced no retail price cut, but its wholesalers began to meet local beer prices. Two weeks ago, Joseph Schlitz Brewing Co. announced that it has taken over distribution of its beer in the St. Louis area from a local distributor—not to cut its prices, but for tighter control over its personnel, sales, and promotion.

Firth Carpet Co.'s diversification plans seem to have hit a snag. The company was in the middle of negotiations last week to buy Air-Way Electric Appliance Corp., a Toledo concern, when a proxy fight blew up.

The threat came from Edward Lamb of Lamb Enterprises, a Toledo

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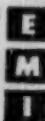
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industrialist who has newspaper, television, and radio interests, and who owns 65,000-plus of Air-Way's 350,000 outstanding shares of common stock. His beef: that the net assets of Air-Way are worth more than \$15 a share. Under the proposed deal, this would be the value of a new issue of Firth preferred that would be exchanged on an equal basis with Air-Way common.

Lamb seemed to have no objection to the basic idea of the deal, which presumably would strengthen the two companies. Both are one-product companies.

Air-Way is 35 years old, and makes the Sanitizer vacuum cleaner and attachments. It employs 500 people at the Toledo plant, plus thousands of people on the road. The company's president, Joseph H. Nuffer, describes its method of selling this way: "We start at one end of the street and work right through to the other end, ringing every doorbell on the way."

This method grossed Air-Way \$15.1-million sales in 1952—net income of \$905,000. In 1953, the tally was \$12.2-million and \$409,000.

As for Firth, according to an executive, it is "tied too closely to the carpet industry," which has had some rough going recently (page 78). Firth hit a high of \$27.2-million in sales in 1950, has been sliding ever since. In 1952, sales were \$17.8-million, net income \$581,000. Last year the figures were \$16.3-million and \$303,000. In the first quarter of this year, sales were \$4.1-million as against \$5.4-million in the same period of 1953.

About a year ago, Firth decided to get away from its dependence on the uncertain carpet business through diversification. Since then, it has looked at some 100 companies, Air-Way being the likeliest.

According to W. W. Harts, treasurer of Firth, "We have swings in our business; Air-Way's swings are counter to ours." Firth also figured the counterweight had a good record of earnings. Harts says, however, that Firth has no plans to integrate the two companies or change Air-Way's operating methods.

At present, things are stalled in midstream. Nuffer won't talk about the merger, saying, "I'm leaving that information to the proxies now."

As usual in such cases, charges are flying. There are sharp disagreements between the two camps over whether (1) Lamb has or hasn't control of the 130,000 shares he claims; (2) the chief stockholders were or weren't informed of the deal early in the game; (3) there was or wasn't a better offer made by Firth earlier; (4) the stock is or isn't worth as much as \$15; and (5) Lamb did or didn't own his shares prior to the time the Nuffer-Firth talks began.



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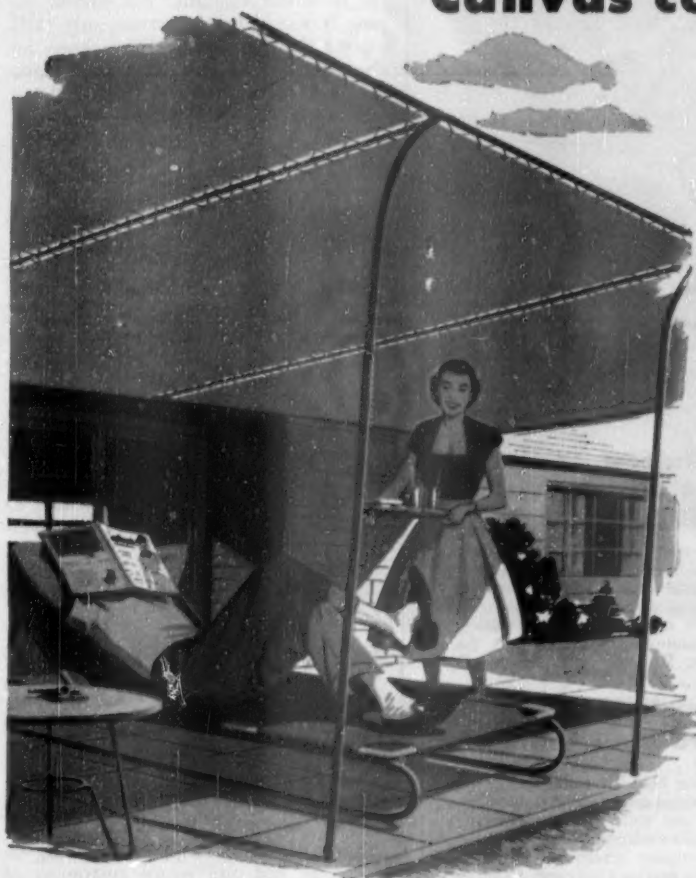


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Build Your Own System with Standard HANDIDRIVE Pre-Built Units ...



• Handidrive belt, live roller and gravity roller conveyors consist of drive and take up units, and roller assemblies, intermediate framework, supports and hanger, to make complete conveyors—or to convert present gravity conveyors to power conveyors. Write for Bulletin 63-D, address Dept. BW-74.

Send for Bulletin 63-D, describing the above and other Standard Conveyor equipment. Address Dept. BW-74

STANDARD CONVEYOR COMPANY
General Offices: North St. Paul 9, Minnesota
Sales and Service in Principal Cities



ROLLER • BELT • SLAT • CHAIN • WHEEL
PUSH-BAR • SECTIONAL
PORTABLE CONVEYOR UNITS:
HANDIBELT • HANDIPILER
INCLINED BELT • LEVEL BELT • EXTENDOVER
UTILITY BELT-VEYOR • HANDI-DRIVE
CONVEYORS VERTICAL LIFTS • PNEUMATIC TUBE SYSTEMS

MARKETING BRIEFS

Canadian Aluminum is making a big pitch for the U.S. market. Aluminum Co. of Canada (Alcan), big producing subsidiary of Aluminium, Ltd., is running a series of four-color institutional ads in this country. While Alcan doesn't sell finished or semi-finished products here, it sees a big demand for its raw ingots, which it can turn out more cheaply than U.S. competitors—who are also its customers.

Canned radio programs are taking over the network programs. For March, reports *Printers' Ink* magazine, only ABC among the Big Four had live shows for the bulk (77.8%) of its evening programs. On Mutual, 92.3% of shows were canned; on CBS, 80%; on NBC, 73.3%. In 1946, programs of all four were 100% live.

Problem of publisher's overstock is pointed up by Whelan's Drug Stores' recent purchase of more than 800,000 50¢ paper-backed volumes. The chain's ads tell how they bought up publishers' overstocks substantially below cost and are passing along the saving to customers. Whelan's is offering the editions at 9¢.

PanAm's credit plan (BW-Apr. 17 '54, p66) has brought more than \$1-million in new air-travel business, according to company reports. Financed trips averaged around \$500 ea. Most customers could not have afforded the flights without the credit facility.

Billboard victory: Ban on highway advertising by Ohio's turnpike commission has been declared illegal by the state supreme court. The court said present law doesn't authorize the ban, and suggested that only a new law could alter the situation.

Showers for lady shoppers are being offered to hot and weary customers of Thalheimer's Department store in Richmond, Va. Soap, towels, and maid service are supplied free. The store says the service isn't a hot-weather gimmick but will be offered all year round.

"Price-crazy market" is what Stromberg-Carlson Co. snorted this week as it sliced \$20 off its two lowest-priced 21-in. TV sets. They've been retailing (at list price) for \$199.95 and \$229.95. The company also says that it is lengthening dealer and distributor profit margins on other sets so the trade "can make a fair profit."



Triple superphosphates join the DAVISON family. From the new plant in Polk County, Florida, Davison now is ready to supply triple superphosphate to all who serve the nation's farms with modern quality fertilizers. For the very best in granulated mixed fertilizer, see your DAVCO dealer so that your crop this fall or next spring will bear the stamp of "Progress Through Chemistry."

Progress Through Chemistry

DAVISON CHEMICAL COMPANY

Division of W. R. Grace & Co.

Baltimore 3, Maryland

PRODUCERS OF: CATALYSTS, INORGANIC ACIDS, SUPERPHOSPHATES, TRIPLE SUPERPHOSPHATES, SILICA BELLS AND SILICOFLOURIDES. SOLE PRODUCERS OF DAVCO® GRANULATED FERTILIZERS



Petroleum catalysts by Davison help keep travel in America the finest in the world. SEE DAVISON



Add Davison Sylolds to lacquers and varnishes for a finish of rich restraint. PHONE DAVISON



Davison's Research works to create new products or to make existing products better. WRITE DAVISON



A big help in a branch office

● We know what goes on in branch offices—have 93 of them. Lots of detail, for a small staff. A postage meter is a big convenience and a time saver. Now, even the smallest branch office can afford one.

● With the DM, you get rid of lick-and-stick postage. And no need to make frequent trips to the postoffice. You print postage as you need it, directly on the envelope—always have the right stamp, for any kind or weight of mail. Postage for parcels is printed on special tape. And there's a built-in moistener for sealing envelope flaps. Getting out the mail takes a lot less time!

● The meter stamp has a dated postmark, needs less dispatching time in the postoffice. And you can print your own small ad with the stamp, if you like.

● Postage in the meter is protected from loss, misuse, spoilage. And anybody in your office can operate the meter.

● Ask the nearest PB office for a demonstration. Or send coupon for free booklet.

FREE: Handy chart of Postal Rates with parcel post map and zone finder.

PITNEY-BOWES
Postage
Meter

Offices in 93 cities
in U.S. and Canada



YOUR AD HERE

YOUR RATE HERE

YOUR POSTAGE HERE

03

PITNEY-BOWES, Inc.
1486 Pacific St., Stamford, Conn.
Please send free ☐ DM booklet, ☐ chart to:
Name _____
Address _____

Machine Tools: Lease or Buy?

Jones & Lamson is about to offer its customers a choice, with incentives pulling in both directions. But it would prefer them to buy if they can.

An old and conservative industry is about to get a jolt from one of its oldest and most conservative members. Next week Jones & Lamson Machine Co., 119-year-old Vermont machine tool maker, will place a special set of ads in newspapers and business papers. The ads pose, in big black type, a question that is intensely interesting nowadays to the machine tool industry and its customers. The question: "To lease or not to lease?"

This puts a finger on a subject that has been causing more and more controversy in industry circles ever since Kearney & Trecker Corp., big Milwaukee machine tool manufacturer, launched a national advertising campaign to publicize its lease-sell program (BW-Jan.23'54,p46).

• **Emphasis**—Actually, it is more a matter of emphasis dividing the two companies than of anything else. The two plans differ. But both are essentially packages offering everything to the customer from straight rental to outright purchase.

Kearney & Trecker, however, is throwing its weight behind the rental idea. In so doing, it has stirred a powerful breeze in an industry that hasn't been given to accepting new ideas on financing and selling. The company is highly satisfied with the results of its first few months of operating under the new plan. It claims that the idea has generated a good deal of new business. Several other companies have followed Kearney & Trecker in offering lease-sell plans (BW-Mar.6'54,p100).

J&L will also offer lease plans, but it is not going to put the emphasis there. The company thinks that until recently the excess-profits tax and straight-line depreciation made leasing look very attractive. But now, it says, the climate is changing. Government orders are thinning out. EPT is dead. Depreciation is being liberalized in the new tax bill given its final polish this week by Congress (page 120).

• **Three Plans**—However, J&L is not prejudging the market. With its new customer financing aids it stands ready to move machine tools under any of three major plans—outright purchase, leasing, or installment purchase. According to H. L. Andrews, new president of J&L and formerly an executive vice-president of General Electric Co., it is up to the customer to decide which plan suits his needs.

Jones & Lamson still expects the ma-

jority of its sales to be outright purchases for cash. The company considers this the "normal and preferred method of purchasing machine tools." And it goes without saying that from the customer's point of view it is still the cheapest method.

But, if the customer thinks that leasing is best for him, J&L is always willing to sign him to a rental contract. One of its leasing plans closely resembles the Kearney & Trecker tool-lease program. It is a lease with an option to buy at any time in the contract period—an option other companies have written into their lease contracts.

• **Taxes**—The relative tax advantages of these optional leases is still the subject of much controversy in the industrial equipment field. Some observers believe that the rental payments can be deducted as cost items for income tax purposes, even though the contract contains a firm option to buy. Others contend that this type of contract is not a lease and that the rental payments cannot be deducted for income tax purposes, since many sellers of machine tools permit the rental payments to apply to the purchase price if the buy option is taken.

As yet, federal tax officials have handed down no clear-cut ruling.

J&L feels certain that rental payments under a lease with a firm option to buy are not deductible for tax purposes. The company treats such payments as conditional sales on its books, and warns the customer accordingly. However, J&L is still willing to enter into a buy-option arrangement should the customer think he can get over the tax hurdles.

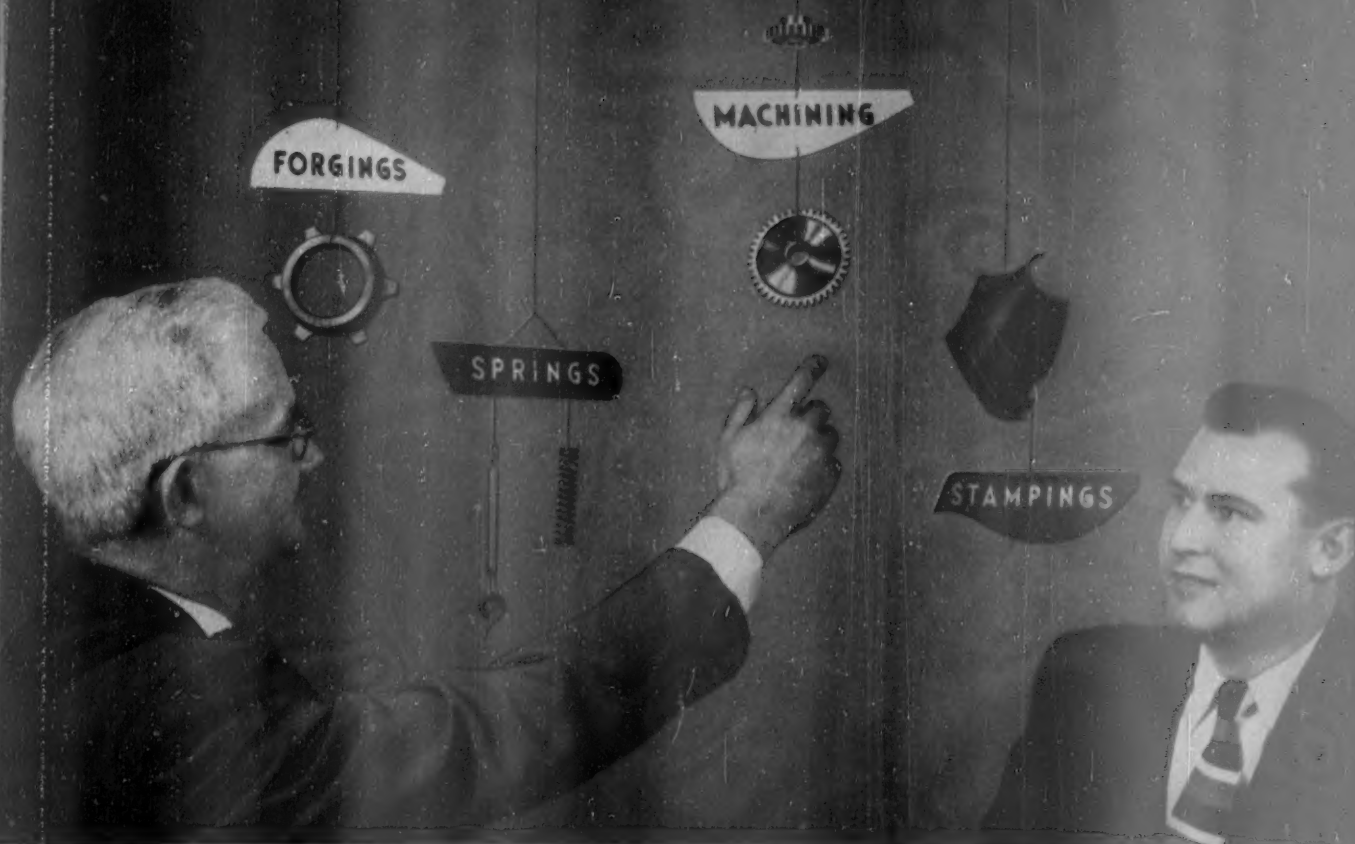
• **True Lease**—One reason J&L takes such a strong position on this controversial point is that the company thinks it sees a way around these tax tangles.

In addition to the lease with option, J&L offers what it calls a "true lease plan." This lease contract does not contain an option to buy, firm or otherwise.

However, should the lessee wish to purchase the leased machine tool, J&L will tear up the lease and enter into a completely new contract, selling the machine to the lessee as a used machine.

But J&L does not promise the buyer any special concessions. The sale price will be determined by what that particular machine could bring on the market. Of course, since J&L does not have to take the machine back and

B A R I U M



Get **FOUR** basics from a single source on the double

If you're one of the thousands of manufacturers who use forgings, stampings, springs or machinings, here's a tip:

Barium is one of the few organizations (frankly, we can't think of another) that gives you the opportunity to buy any or all of these basics from just one source. By the piece or assembled, whichever way you need them. We can do this because we've got separate companies devoting their time and talent to each of these operations — not just divisions or departments.

We don't stop there. If you like, your product can receive the free benefit of Barium's "focused engineering". This unique service concentrates on your

problem some of the most advanced engineering thinking being done today in an unequalled variety of fields. Whether you need a bridge girder or an airplane engine, Barium's the place to come for it. That's why dealing with Barium takes a load off your shoulders as well as your desk.

Remember — to Barium your entire order is important. No danger of any component being delayed — Barium keeps sharp watch on all processing. This means faster handling, less paperwork, and pinpointed responsibility. Write for "The Barium Story" — it tells all. **BARIUM STEEL CORPORATION**, 25 Broad St., New York City 4.



41

BAYONNE BOLT CORP. • CENTRAL IRON AND STEEL COMPANY • CHESTER BLAST FURNACE • CLYDE IRON WORKS, INC.
CUYAHOGA SPRING COMPANY • EAST COAST AERONAUTICS, INC. • ERIE BOLT AND NUT COMPANY • GEOMETRIC STAMPING CO.
GLOBE FORGE, INCORPORATED • INDUSTRIAL FORGE & STEEL, INC. • JACOBS AIRCRAFT ENGINE CO. • KERMATH MANUFACTURING CO.
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IF YOU
WANT YOUR
RAW MATERIALS
CLOSE
AT HAND

**"PLANT" YOUR COMPANY
IN PENNSYLVANIA**

"PENNSYLVANIA HAS EVERYTHING"

The pre-eminence of Pennsylvania in coals, metals, minerals, textiles, foods, and oil production, electric power and water resources, is matched only by its industrial diversification, transportation facilities, and productive skilled manpower. With more resources than many nations, Pennsylvania outproduces every other state in more than 50 classes of manufactured products. It is the center of the greatest, most easily accessible market in the world, with almost limitless wealth. If you plan to relocate, "Plant" your Company in Pennsylvania... reap benefits which no other location can offer.



Write in confidence for further information...

DEPARTMENT OF COMMERCE

COMMONWEALTH OF PENNSYLVANIA

STATE CAPITOL (C-4), HARRISBURG, PA.



UNEQUALED
TRANSPORTATION



BIG MARKETS
EASILY REACHED



BEST OF
LIVING CONDITIONS



GREAT RESOURCES
OF MANPOWER



PLENTY OF
POWER AND WATER

recondition it before resale, the company may be in a position to pass some small savings on to the purchaser.

This plan seems tax-proof to J&L. While the machine is being leased, the rental payments may be deducted 100% as cost items. An option to buy in no way beclouds the issue. When purchased, the machine enters the company's books at the purchased price of a used machine tool.

• **Financing**—Though it provides leasing plans for its customers, J&L would still rather make outright sales. Realizing that all of its potential customers may not be in a position to make full cash payments, J&L went out and made an agreement for installment financing with C.I.T. Financial Corp.

Through this arrangement with C.I.T., Jones & Lamson is able to offer its customers an installment purchase running to five years.

Suppose the customer wishes to pay for a machine over a five-year term. He pays one-third of the purchase price as a down payment. Then, he pays out the balance in monthly payments. He pays 6% simple interest computed monthly on the diminishing balance. Since the purchaser gets credited as he works down the principal, this comes out to a 3½% charge for the installment purchase.

J&L is able to give its customers a relatively low interest charge by foregoing its profits until the last year or years of the contract. When C.I.T. agrees to finance a purchase, it does not pay J&L the complete selling price of the machine tool—as is the case in standard financing arrangements. Instead, C.I.T. pays J&L merely the simple cost of the tool—J&L's out-of-pocket cost, not including its profit. Thus, the customer owes C.I.T. a smaller amount of money than he would normally owe, and consequently pays less interest.

Some time before the contract period expires, the customer's monthly payments add up to the entire sum owed C.I.T. When that happens, J&L begins to collect its profits out of the payments. It charges the customer no interest on this part of the machine's selling price. In effect, J&L thus loans the customer a sizable sum of money for several years, interest-free.

• **Milk**—Is this risky for J&L? A company spokesman doesn't think so. "Selling a machine tool on time is no more risky than selling a good dairy cow on credit," he says. "In both cases, the purchaser gets plenty of milk out of which he can make the payments."

J&L thinks that by selling its customers more productivity and lower costs it can protect itself against losses. This is the main reason for dubbing its new installment offer a "pay-from-productivity" plan.



HOW XEROGRAPHY *Cuts Duplicating Costs*

SPEEDS PAPERWORK
AT FORD MOTOR COMPANY

COST STUDY INDICATES SAVINGS OF
APPROXIMATELY \$75,000 A YEAR!

An extensive study of office equipment by analysts in Ford Motor Company's Central Office, indicates that offset paper masters prepared by the xerographic process, as compared to various other methods, save time and money.

XeroX® Lith-Master* copying equipment is used in a number of departments in various Ford plants. Special XeroX copying equipment is used in the Duplicating Section of the Engineering Staff, Administrative Services Department, Dearborn, Michigan, to prepare offset paper masters of 12"x18" engineering drawings for run off of multiple copies on an offset duplicator. Using the xerography and offset combination, 100 copies of a drawing can be made in five minutes at a cost of about 97 cents, which is considerably less than by other duplicating methods. Cost studies indicate a saving of approximately \$75,000 a year.

There is no limit to the versatility of xerography, the dry, electrostatic, copying process, in paperwork duplicating applications. Copies can be enlarged, reduced or made same size of anything written, typed, printed or drawn from one or both sides of original. *Translucent intermediates can be made for use in diazo type machines.*

*A TRADEMARK OF THE HALOID COMPANY

WRITE for proof of performance folders showing how Ford Motor Company and companies of all kinds are cutting costs and speeding paperwork with xerography.

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54-71X HALOID STREET, ROCHESTER 3, N. Y. • Branch Offices in Principal U. S. Cities and Toronto

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XEROGRAPHY

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The fastest, cheapest, most versatile way to make masters for duplicating



BUSINESS WEEK REPORTS TO EXECUTIVES ON:

Red China: An Ancient Land with

On October 10th, Red China will celebrate its fifth birthday with all the fanfare the Chinese people so dearly love. From Canton to Mukden, marching millions will pay homage to Mao Tse-tung as dutifully as the Russians ever did to Stalin.

For the outside world, this anniversary will be proof—if any is needed after Korea and Geneva—that a new era has begun in China and, indeed, in Asia. It started when Mao proclaimed the Chinese People's Republic

in Peking on Oct. 10, 1949—a day that the history books may well compare with the October day in 1917 when the Bolsheviks seized power in Russia. For it is quite possible that Communist China may make as big a splash in the world during the next 30 years as the Soviet Union has in the past 30.

In its first five years, Red China has already made something of an impression in world affairs. First there was Korea, where Chinese armies won a draw with U.S. and U.N. forces.

Then came the occupation of Tibet. Now Peking has bludgeoned France into conceding part, if not all, of Indo-China. As if to rub it in, Premier and Foreign Minister Chou En-lai has just appeared, in great-power size, on the world diplomatic stage.

I. The Makings

Red China almost certainly is on the world stage to stay. There seems to be enough realism in Peking today to avoid



MAO TSE-TUNG (above) faces a long struggle to build up China's industrial muscle. But his arm-flexing in diplomatic and military spheres has already given China a hold on Korea and Indo-China (left).

New Ambitions

the kind of blunders that would dissipate the gains already made.

For example, it doesn't look as if the Mao regime would let military ambition drive it to aggressions that would invite a devastating retaliation by the U.S. Nor is it likely that the Chinese Communists will let revolutionary zeal so badly overstrain the country's economic resources that chaos would paralyze their totalitarian regime.

• **Resources and People**—Today's China is a poverty-stricken country, even by

Asian standards. More than 80% of its population—officially estimated at 600-million but probably nearer 500-million—are peasants. The country is still subject to nature's whims, as the recurrent floods show. And this summer's food riots attest to the fact that Mao's regime has not fully subdued the Chinese peasant, any more than it has China's rampaging rivers.

Still, there is no doubt that Red China has the makings of a great power. In its people it has abundant manpower

for a huge army, in Russia an ally to equip that army, in Communism a faith that has caught the imagination of China's youth, and in Mao a leader who has galvanized the human energies of China as no leader has for two centuries. In known natural resources, China is no more than a match for India, but its new drive could easily make it the greatest industrial power in Asia—Japan included.

• **Leaders**—Certainly it would be folly for the Western world to underrate the power that lies in the hands of the few ruthless men who now guide the destiny of China, and perhaps of Asia, from the ancient capital of Peking. Led by Mao, these men have produced

ATOMIC SCIENTISTS URGE QUICK DISPERSAL OF INDUSTRIAL PLANTS

A speed-up in a program to disperse basic industries and civilian city populations vulnerable to enemy hydrogen bomb threats is called for in the Bulletin of the Atomic Scientists.

The Bulletin said a long-range radar screen giving several hours warning of approaching planes plus a well-rehearsed plan for evacuating large cities could offer substantial protection for "only two or three years hence."

Important Reminders Like This Emphasize the Advantages of Locations in **North Carolina**

With a well-dispersed population (10th in the nation in size yet only one city is over the 100,000 mark), North Carolina offers ideal plant dispersal opportunities.

A welcome distance from areas vulnerable to enemy attack is combined with desirable nearness to major markets; over half the population of the United States is within 500 miles of North Carolina.

Fast and economical access to cities in all directions is provided by well-rounded transportation facilities which include a 70,000-mile State highway system.

Intelligent and cooperative native-born labor, with a record of proven productivity, is another of the important advantages which have already attracted some of the country's foremost companies.

Additional information, with data about desirable rural or urban sites and buildings in mountain, piedmont and coastal areas, will be furnished speedily upon request to—

Ben E. Douglas, Director
Department of
Conservation and Development
Raleigh, N. C.

Red China



CHINA'S BIG FOUR are, left to right, Chou En-lai, premier and foreign minister; Liu Shao-chi, Communist party administrator; Mao Tse-tung; Chu Teh, Army chief.

in China two things it never had before: (1) a national state and a centralized administration; (2) a new ideology that is bringing a complete break with the Chinese way of life.

Around Mao are Chou En-lai, the guileful, Paris-educated foreign minister who handles China's relations with the rest of the world, especially with the West; Liu Shao-chi, a Soviet-type revolutionary who controls the Communist Party apparatus and dispenses its ideology; and Chu Teh, China's grizzled army chief who is Mao's most devoted henchman.

II. Sources of Power

At this stage of the revolutionary process in China, there's no telling how long these four men will stay on top. The Communist revolution may not go so smoothly in the future as it has in the past. But for the present, at least, Red China's leaders can count on three things that weigh heavily:

Support from Russia, which gives Communist China a psychological as well as a military advantage in Asia. As many Asians see it, Communism has brought Russia from the impotence of the early 1920s to the colossal power of today and therefore must have something to teach Asia.

It may be that the great fact of the 20th Century is that Russia and China both follow the same Marxist state religion, just as the great fact of the 19th Century, according to Bismarck, was the common bond of language between England and America.

Support from scores of millions of

Chinese, who have been sold on the idea that only Communism can end rural poverty and national weakness.

By raising first the banners of nationalism and land reform and now the banner of industrialization, Mao's regime has captured the enthusiasm of China's youth in general, and its intellectuals in particular. By giving women equality with men, it has mobilized additional human resources.

As a result of the totalitarian revolution, the family—which has always been the basic unit in Chinese society—is being rapidly undermined and the individual is becoming a slave to the state.

Support from the tens of thousands of party faithful who run China's bureaucracy and train its army. Almost every Westerner who has been in China recently testifies to the zeal, alertness, and incorruptibility of Chinese officials no less than to their ruthlessness. Without these qualities, Peking could never have fastened its hold so firmly on all of China nor could it maintain its grip.

• **World Design**—There is no doubt that the Mao regime regards itself as part of the general staff of world Communism. Peking has taken on the job of leading the Communist revolution in Asia. Clearly it aims at becoming the dominant, if not the master power in Asia. The game it has played in Korea and Indo-China leaves no room for illusions about that.

Already the new China has become a real and terrible threat to American interests in the Pacific, even greater than the one posed by Japan in 1941. It is vehemently, insultingly anti-American. At Geneva recently, Chou En-lai

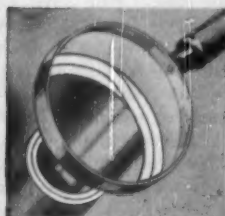


A miracle you take for granted



Your dependable home freezer may contain up to 85 feet of leakproof Bundyweld Tubing. Manufacturers insist on giving you Bundyweld's unequalled protection in evaporators, condensers, compressor parts and refrigerant lines in refrigerators and home freezers.

Chances are you seldom realize how much your eating and food-buying habits revolve around the miracle of reliable refrigeration. One reason you take refrigeration dependability for granted: Manufacturers use leakproof Bundyweld Tubing to conduct elusive, hard-to-hold refrigeration gases. Bundyweld's antileak protection has benefited millions of refrigerator owners for over 20 years.



Bundyweld Steel Tubing is the only tubing double walled from a single metal strip, copper bonded through 360° of wall contact. Manufactured by the world's largest producer of small-diameter tubing, Bundyweld won't leak, will transmit heat efficiently,

BUNDYWELD TUBING®

"The lifelines of refrigerators and freezers"

BUNDY TUBING COMPANY • DETROIT 14, MICHIGAN



MAO'S AMBITION is nothing less than the complete remaking of Asia's biggest country—politically, socially, economically. Politically, he is following the Russian model for government. Socially, he is mobilizing the women and breaking down the time-honored family unit of Chinese life. In the economic transformation, he has a wealth of human resources to work with (pictures, right) and some equipment from Russia. China's assets today include . . .



COMMUNIST ZEAL, as exemplified by these parading students . . .

blatantly called for the withdrawal of the U.S. from Asia and the western Pacific.

Up through World War II, the U. S. had provided boundless and ever-ready aid to China: relief against famine, diplomatic support for its territorial integrity, military and economic support against Japanese aggression. Now, hatred, vilification, and bloodshed are repaying us for a century of friendship and sympathy for the people of China. This has all been a befuddling shock to most Americans. That's why Americans are so bitter about Red China's bid for a U. N. seat.

III. Perspective

It is hard to see this new, violent China for what it is and what it is not. But history tells part of the story.

To get your focus on present-day China, you must look back at the national and social revolutions that have swept Asia since the beginning of this century. To understand these phenomena, you need the perspective of not one but several centuries.

• **Balance of Power**—Up to about 1700, Europe and Asia—though two completely different worlds—were roughly on a par in terms of technical advance and the efficiency of their social organization. Then Europe suddenly jumped away ahead with the industrial revolution, which brought it new techniques of warfare, and a new, more dynamic

social structure. The West's rapid industrialization overthrew the balance of power between Europe and Asia.

By the 19th Century, the unbalance reached the point where Asian affairs were pretty much dominated by the impact first of Western Europe and then of the U.S. and Russia. Until the end of World War II, a chain of Western empires stretched from India to Indo-China. The West controlled much of China's life. Except for Japan, which was able to reorganize its society fast enough to stand on its own feet, Asia almost passively accepted Western domination.

By the end of World War II, national movements in India, Burma, and Indonesia had gathered enough strength to bring an end to colonial rule. In China, nationalism had become a surging force that gave the Kuomintang whatever vitality it had and also provided Mao's Communist movement with much of its driving force.

• **The Pinch**—In the 19th Century, meanwhile, most of Asia had been caught in a population squeeze. In China especially, population outraced food resources. The result was grinding poverty for the mass of people. Peasant revolts in China in the 1850s and 1860s attested to this fact.

Up to the closing years of the 18th Century, the Manchu emperors had managed—by developing new lands and by irrigation and flood control—to keep food production increasing almost as

fast as the population grew. By the 19th Century, however, no more land was available, and the Manchu dynasty itself was going to pot.

The balance between population and land disappeared. Acreage of tillable land per capita went down fast. The number of mows (¼ of an acre) under cultivation shrank from 4 mows per person in 1766 to 2¼ in 1872. (It increased to 3 mows per head by 1931, due to the opening up of Manchuria and Inner Mongolia.)

• **Manchu Failure**—The Manchus were helpless in the face of the two great threats to China's stability—overpopulation and European imperialism. They lost the confidence of the Chinese people by boosting taxation as the people became less and less able to pay, and by giving the tax collector, the landlord, and the money lender a free hand. During the last 30 years of their reign, they also lost the control that they had long had over northern Indo-China and Formosa and the partial control that they had held over Korea and Tibet.

In the face of a revolution led by Sun Yat-sen in 1911, the Manchus abdicated. But nothing was solved by their departure. The country cried out for a strong government that could solve the land problem and give it back its national pride. Instead, it got warlordism and the Japanese invasion.

Chiang Kai-shek, successor to Sun Yat-sen, tried to pull the country together. It was a losing struggle, largely



AGRICULTURE, economy base despite primitive tools .



IRON AND STEEL, established industry that's expanding . . .



MANPOWER to help make up lack of machinery . . .



MILITARY POWER for a tough foreign policy.

because he failed to enforce land reform and because his Kuomintang followers were too tied down by tradition. This made it easier for the Communists to convince a rapidly growing number of Chinese that only Communism could provide the answer both to China's weakness and China's poverty.

• **Three Revolutions**—Probably it was inevitable that China should go through a revolution at this stage of history; in fact, three revolutions—national, economic, and social. The tragedy is that Chiang's Nationalists failed to seize their opportunity, and these three revolutions are now being carried out under the aegis of Communism. The job is being done by methods as ruthless as those used by the Communists in Russia but probably with more support from the people than the early Bolsheviks ever had.

IV. Industry

Now Mao is promising an industrial revolution and the military strength that comes with it. To achieve this, China has to mechanize, to become scientific, to copy Western methods of production.

The Mao regime plans to do these things the Russian way, by state control and planning backed up by terror. The Chinese people are being sold the idea that within one generation a Communist program of industrialization will make them strong and prosperous. Peo-

Here's How China and India — Rivals for Asian Leadership — Stand Today in Basic Industry

	CHINA (1953)	INDIA (1953)
ELECTRICITY	3.5-billion kwh	6.7-billion
OIL	0.2-million metric tons	0.3-million
COAL	40-million metric tons	36-million
STEEL	0.9-million metric tons	1.6-million

Each Hanks After Russia's Industrial Growth but Neither Is Likely to Match It

RUSSIA (1928)	RUSSIA (1953)
5-billion	133-billion
12-million	52-million
36-million	320-million
4.5-million	38-million

ple's China, a leading Chinese newspaper, recently wrote:

"The capitalist countries began with the development of light industry, and the process of industrialization took from 50 to 100 years. The socialist industrialization of the Soviet Union, on the contrary, began with the creation of a heavy industry and was successfully achieved in about 10 years."

The Peking People's Daily gives away what really seems to be in the minds of China's Communist rulers: "We must adopt the socialist method for industrialization so as to win time and to have our heavy industry and national

defense industry established within a short period. Thus, within a short interval, we shall become economically independent and rely no more on the imperialist states, and our national defense shall be strengthened to enable us at any moment to repulse the aggressive acts of the imperialists."

• **Taking Credit**—The Chinese Communists claim, and many Asians readily believe, that the industrial recovery of the past five years is an example of what Communism can accomplish. And there's no denying that the recovery is impressive, especially in Manchuria.

National income has nearly reached

"... giving Chinese businessmen a chance to learn how they were supposed to liquidate themselves . . ."

RED CHINA starts on p. 92

prewar levels. Japanese experts, who know Manchuria from the past, estimate that over-all economic activity there is close to the prewar peak except in electric power output (little more than 2-billion kwh, last year, as against 5-billion kwh. in 1944).

• **Stacked Deck**—Of course, the Communists could hardly fail to have some success with their recovery program. The end of civil war, the restoration of the railways, control of inflation, and the building of much-needed irrigation and flood-control projects—all were bound to lead to economic revival. Any stable government could have made the same record.

What's more, the industrial recovery since "liberation" has come almost exclusively from the restoration of Japanese-built plants. In most cases, restoration has involved nothing more than the replacement of equipment that the Russians looted from Manchuria in the first place. The Chinese Communists, of course, claim it was Kuomintang vandalism that made a shambles of Manchurian factories.

• **Waiting for Moscow**—Just as the Communists built their recovery on what the Japanese had left in Manchuria, so their five-year plan is dependent on equipment from Russia. In fact, the first version of their industrial plan was announced late in 1952 without a plan at all. Peking could not finalize or announce details until it knew what assistance Russia was willing to provide. Although negotiations started in August, 1952, when Chou En-lai went to Moscow, they weren't completed until mid-1953, after the armistice in Korea.

Even now, Peking's industrial goals haven't been blueprinted in detail, at least not publicly. All that the Chinese people are told is that the plan calls for 141 industrial projects—electric power, iron and steel, metalworking, chemicals—which Russia will help China to complete by 1959. It is claimed that 50 of these projects are already completed or under way.

• **Ambition**—The closest thing to a pinpointed industrial target for Red China was published in Pravda under the by-line of Hsueh Mu-chiao, who is a member of China's State Planning Committee.

According to Hsueh, Peking aims by 1959 to reach the level of heavy industry that Russia attained in 1932. This is little more than Communist propaganda, of course. In terms of industrial development and knowhow, China today is far behind where the Soviet

Union stood in 1928 at the beginning of its first five-year plan—so far behind that it can't hope to reach such a goal so soon.

For example, it's hard to see how China can produce more than 3-million tons of steel by 1959—and that's only half of Russia's 1932 production. Again, with Russian help, China is supposed to boost its generating capacity to 2.4-million kw., which is double the present capacity but still 200,000 kw. less than China once had.

• **Manchuria**—The bulk of investment under the five-year plan is slated for Manchuria (map, pages 100 and 101). This area has already reached a fairly high level of development, so the Communists can expect the maximum return from their investment there.

Nearly half of China's rail mileage, one-fifth of its highway mileage, and nearly all of its iron and steel industry are located in Manchuria. The region also generates more than one-third of China's electric power (before the Russian lootings, its capacity was three times as much as all the rest of China put together).

• **Dispersal**—Some of the new investment is being spread, however, to decrease China's dependence on any one such strategic area as Manchuria. Industrial complexes are being staked out in north and central China.

The one in the north may outrank Manchuria some day. The Communists plan to build a new iron and steel center around Paotou, which is marked to become China's Magnitogorsk. Metalworking industries are planned for Tientsin and Peking.

The steel mills at Paotou will depend on the rich iron ore deposits at Pailin-miao. Coal will come from Tatung. Paotou will be linked by rail to the oil fields at Yumen, far to the west in Kansu. The Communists claim that Paotou will surpass even Anshan in Manchuria. This would make sense since the Anshan production is not very economic; local iron ore is of poor quality, and coaling coal has to be rail-hauled more than 800 mi.

• **Farther South**—A smaller industrial center is to be based on Wuhan (the cities of Wuchang and Hangkow). A large steelworks is slated to be built at Tayeh. Hsiangton, the birthplace of Mao, is supposed to get a lathe works, a fertilizer plant, and an electric appliance factory that seems to be a Communist adaptation of the plant that Westinghouse International blueprinted for the Nationalist government in 1946.

The China coast is largely neglected

in Communist planning. But this area, especially Shanghai, will continue to produce a big share of China's industrial income. More than half of China's modern textile mills are situated in the Shanghai area. So are some of the country's best small machine works.

China's mineral wealth is not being forgotten. The output of tin and antimony is to be pushed in the isolated region of southeast China. So is the tungsten of southern Kiangsi. China needs these metals for its own industry and for export.

• **Railroads**—Important new rail links are also under way or planned. There's one from Lanchow through Sinkiang to Russia and from Lanchow to Paotou along the great bend of the Yellow River. In the south, new rail links are planned to Kunming, where there's already a rail connection with northern Indo-China.

Most of the new railroad construction is inland, and most of it is based on strategic considerations.

V. Technicians

To get anywhere with industrial development, China obviously needs far more trained engineers, technicians, and experienced managers. At the moment, it has the help of about 100,000 Russian technical experts, but that's subject to change without notice. The Chinese Communists realize that they must give top priority to rearing their own experts.

Engineering schools are getting more money (60% of all appropriations for new educational buildings) and more students. The new Peking Iron & Steel Institute already has an enrollment of 1,600, and plans to enroll 5,000. The new Peking Geological Institute has 2,700 students now, and plans on 8,000. The Communists claim that four times as many geology students are enrolled today as in the entire period between 1910 and 1950.

• **90-Day Wonders**—However, the quality of the new education leaves something to be desired.

To speed technical education, the Communists have broken engineering subjects down into 100 specialties. In addition, they are offering 70 short-term specialty courses to train workers for such tasks as metallurgical cutters, tractor operators, and crane installers. Stress is laid upon the "advanced experience and advanced ideology of the Soviet Union." It looks as if the system is geared to produce automatons—not engineers—in a hurry.

If this proves to be the case, it's hard to see how Red China can push its industrial development very far or very fast. With today's automatic production methods, which China can get from Russia or copy from the West,

China might manage to get along without a large pool of skilled labor. But industrial automation without trained engineers is unthinkable.

• **Borrowed Time**—As for skilled management, the new regime probably can go on drawing from private business for a while longer. When the Communists took over in 1949, they didn't attempt right away to nationalize industry and commerce or to oust existing management. If business did what it was told, it was allowed to go on producing.

But there has been steady encroachment of state enterprise into both production and distribution. Today, heavy industry is 100% nationalized, and light industry 50%. Wholesale trade is entirely in the hands of the state.

Communist leaders make no bones about the fact that their goal is complete socialization. They told private business as much last fall, at a national congress of the All-China Federation of Industry & Commerce. This session provided Chinese businessmen with a chance to learn how they were supposed to liquidate themselves.

VI. Capital

Perhaps Peking's basic problem, though, is how to get out of China's incredibly poor society the capital to make industrialization possible. At the moment, China's national income is probably no more than \$25-billion (about the same as Canada's). This puts per capita income as low as it is anywhere in the world. And, with the population growing at somewhere between 7-million and 14-million a year, it will be a sizable job just to maintain the existing level, per capita.

• **Cost of War**—During the Korean war, Peking chewed up a good part of the capital savings that still existed in China at the time of the Communist takeover.

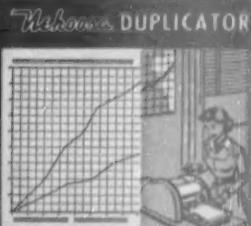
To finance the war and pay for the military equipment that Russia supplied, the Communists launched three major financial drives and stepped up their tax collection program. This way it gained probably the equivalent of about \$5-billion, which just about met the financial cost of Korea. But in so doing, Peking has used up capital savings that might otherwise have gone into the five-year plan.

• **Credit Rating**—It is possible that Russia and its East European satellites will supply some capital goods on credit, beyond what China can pay for with its exports. But there's no reason to believe that Moscow will do this on a big enough scale to solve Peking's money shortage. To find most of the capital required for its five-year plan, Peking must look elsewhere. And its foreign policy has destroyed its chances



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"... forced industrialization is pushing Reds to extend

of getting much from one source: trade with the West.

VII. Agriculture

That leaves China's farms as the only big source of investment capital. So you can expect that Mao, or his successor, will try to do just as Stalin did in Russia—get most of his capital for industrialization out of the hides of the peasants.

This does not mean that Mao's goal is collectivization on the Soviet model.

Mao, who comes from the land, knows that he can't follow the same route to state control of agriculture that Stalin did.

Russia managed to survive the horrors of collectivization and its tremendous social cost. But a repetition of such an experiment in China could easily lead to the destruction of the Communist regime. For it would inevitably cut down farm productivity, which has always been based on the industry of the individual Chinese peasant.

• **Change of Pace**—The first phase of

the agrarian revolution in China has ended. The land has been distributed by grabbing it from the landlords and parceling it out to the poorest peasants. Now the real dilemma for the Communist regime has arrived: Its program of forced industrialization is pushing Peking to extend state control over agriculture and to increase taxation. But these policies deprive the peasants of the fruits of reform. Thus, Peking is faced with the problem of extracting the needed capital without drastically cutting food output in the process.

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SYMBOLS IN RED ARE PART OF
FIVE YEAR PLAN



state control ..."

• **Step by Step**—Mao is well aware that the Communists could break their heads over this problem. That's why he is moving stage by stage on the agricultural problem. As it looks now, the succession of land ownership goes this way: from landowner to peasant; from peasant to mutual aid team; from mutual aid team to producers' cooperative; and perhaps some day from producers' cooperative to the collective farm.

The mutual aid phase has started already. The idea is not entirely new

to rural China. In the past, the peasants have frequently gotten together informally to help each other with plowing, planting, harvesting, or housebuilding. The Communists have turned this free cooperation into organized cooperation on a year-round basis.

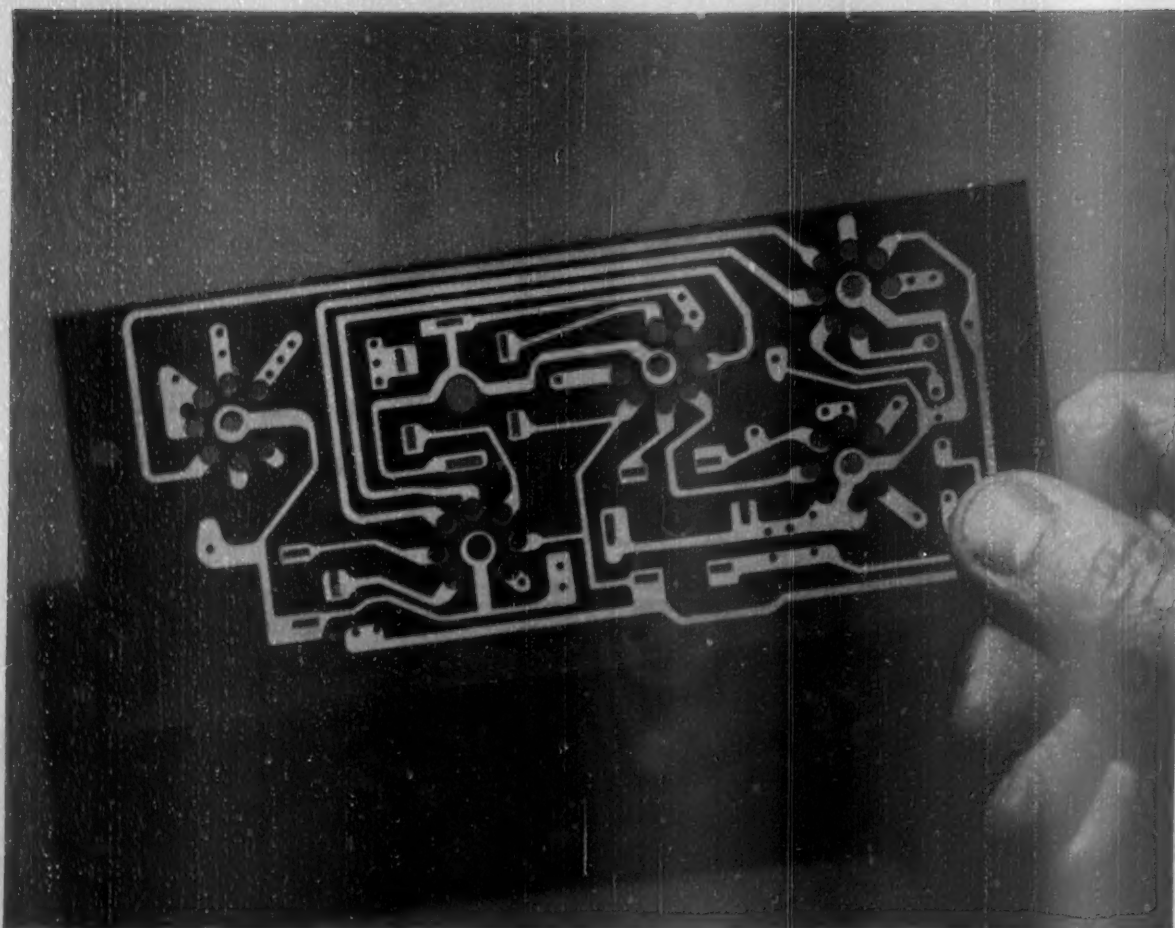
Although peasants retain title to their land and are paid for the crops from their own plots, they are now forced to work together.

Some producers' cooperatives have also been organized. These are made up of two or more mutual aid teams. In this setup, peasants theoretically continue to hold title to their land and

merely "invest it in a common enterprise."

But they are dependent on the dividends they get from the land invested and on the wages they receive.

• **Gloves Off Now**—In the early days of agrarian reform, the Communists treated the "rich peasants"—those who owned and worked more than three mows of land—with great care. This was true especially in the south, the richest agricultural area of China. The bigger owners were the best producers in China, and the Communists feared that if this group were wiped out there would be a serious drop in farm output. Nowadays, though, the rich peasants



Pattern of things to come

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The printed circuit is still in development—but it has zoomed into favor for radio, TV, hearing aids, and many other electronic devices. There are now a dozen ways to produce what are still called "printed" circuits. And *Synthane* is an accepted base material for every one of them.

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SYNTHANE
LAMINATED  PLASTICS

"... the Chinese Communist regime looks more and more like Soviet Russia's..."

RED CHINA starts on p. 92

get a bad break when it comes to government loans and to taxes.

The thing that bothers the Chinese farmer most is government control over the grain harvest. During the Korean war, Peking stepped up the agricultural tax from 13% to at least 20%. What's more, farmers must now take their crop to government purchasing agents, who divide it into three parts. After taxes, the farmer is allowed to keep a share for his own subsistence. The remainder is sold to the government at a fixed price. But the money the farmer gets from the state doesn't really belong to him—he can spend it only with government approval.

This squeeze on the farmers has already led to an exodus from the land to the cities. The higher standard of living that Chinese laborers enjoy in the urban areas looks good to many a peasant: The average worker's income is at least three times what the average farmer makes.

VIII. Politics

The increasingly difficult problems Mao faces with both agriculture and industry explain why he recently pushed centralization of political power to new degrees. A draft constitution for the Chinese People's Republic, made public in Peking on June 15, reflects a shift of authority to the center. Among other things, Mao has reduced the power that has been in the hands of the six governors, mostly generals, of the main administrative areas: Northeast, North China, East China, Central-South China, Southwest, and Northwest.

• **Russian Model**—The Chinese Communist regime looks more and more like Soviet Russia's. Peking is making a noise about elections next year. But the Communist party will go on running China just as it does now. All major policies and administrative decisions are made by the Politburo and executed by the Central Committee of the party.

As chairman of the Politburo, Mao sits in the center of everything. All 11 known members of the Politburo are Communist veterans of more than 20 years' standing. Most of them have been close to Mao for years.

The Secretariat of the Central Committee is the operating group that makes the day-to-day decisions within Politburo policy. Again, Mao is chairman, and with him sit Liu Shao-chi, Chou En-lai, Chu Teh.

Up to the centralization decrees of June 15, the six regional bureaus acted in the name of the Central Committee and the Politburo. But they still had a good deal of leeway on purely regional matters. This was especially true of Koa Kang, who has run Manchuria since 1949 and is the chairman of the State Planning Committee. Now this regional authority is apparently being cut down.

• **Shadow Government**—Like Russia, China has a government structure set up alongside the party organization. The State Council is the highest executive body and is the administrative instrument for carrying out party orders. (The Central People's Government Council and the State Administrative Council were amalgamated June 15 into the State Council.) This Council, headed by Chou En-lai, has broad powers to issue orders to all levels of government, to direct all local governments, and to appoint personnel as far down as the county and municipal level.

The National People's Congress, which is supposed to be a legislative body, is no more than a rubber stamp. It's comparable with the Supreme Soviet in Russia.

• **Rank and File**—Behind Mao and his Politburo stands a party of 5-million to 6-million members. Most of them were soldiers in the Red army that Mao used for the conquest of China. And China's leader can count on their complete loyalty.

But only a small proportion of these soldier-Communists are fitted for the administrative duties they have taken on. Unlike the case of Russia during the early days under Bolshevism, the number of trained and experienced Communists in China is small. This means that Peking must lean more and more on post-1949 Communists, who may not have the devotion to Communism that's needed to carry on the revolution Mao has begun.

IX. Continental View

This is a revolution that's not meant to stop at China's borders. With Moscow's help, Peking expects to bring all of Asia into the Communist camp.

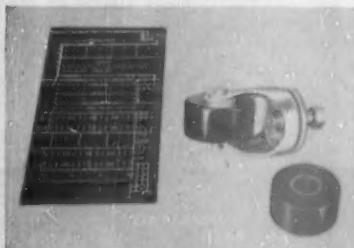
That doesn't mean that the new regime plans to achieve its goal by military conquest. Indo-China, rather than Korea, looks like the model for the future. By using native uprisings, combined with indirect Chinese military support, Peking won't run the Korea-type risk of an open, and economically expensive military clash with the U.S.

In this game, Peking can count on some support from the millions of overseas Chinese who dominate trade and commerce in every Southeast Asian country. Right now, this group is sending its sons to China by the thousands

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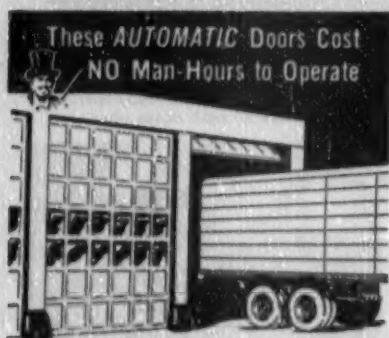
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"... for the foreseeable future, the Soviet-Chinese alliance is solid as a rock..."

RED CHINA starts on p. 92

to study and become good Communists.

In time, Red China may also use trade as a weapon in Southeast Asia. Production of cotton textiles has reached a high enough point so that Peking can begin thinking of exports. So you may soon see Chinese cotton goods competing in Southeast Asia with Japanese and Indian textiles.

• **Popular Appeal**—Then, too, China's industrial program can be sold with good effect in other Asian countries. The idea of quick industrialization, whatever the cost, appeals to many Asians who are irked by their present weakness.

If there's to be an effective answer to this appeal, it must come from India, where the Nehru government—however feebly—is trying to industrialize India by democratic methods.

In fact, China and India have become the great protagonists in Asia of two creeds that originated in the West—Communism and Democracy. And the future of this part of the world will be decided in no small part by the success that each has in giving its people a better standard of living.

X. The Future

Peking's talk of "Asia for the Asians" is really no different than Japan's World War II propaganda for an "Asian Co-Prosperity Sphere." China is using its propaganda line for the same purpose Japan did: to cover up its ambition to get its hands on the raw materials of Southeast Asia.

China, however, does a better job of disguising its aims. It puts them under a cloak of anti-imperialism, painting the U.S. as the great imperialist villain. In fact, this serves a useful purpose at home as well as abroad. Peking uses the "American threat" just as Moscow has always used the danger of "capitalist encirclement"—as a means of gaining sympathizers abroad and as an excuse for harsh policies at home.

• **Crackup?**—There's a theory in the West, especially in Britain, that China and Russia may fall out some day. London's idea is to work on this possibility by developing closer diplomatic and trade relations with Red China, rather than counting on force alone to hold the Soviet-Chinese alliance in check. But this looks like a long-shot proposition.

In the short run, probably the only chance of a Soviet-Chinese split lies in the possibility that domestic pressures

in one country or the other might force a new attitude toward the West. For example, if a violent agricultural crisis should hit Russia, the Kremlin might start compromising with the West. That could produce real strains between Peking and Moscow if the Chinese Communists were still bent on an expansionist policy.

In the long run, of course, there could be an open clash between the Russians and the Chinese over the control of border regions such as Sinkiang, with its tremendous mineral and oil potential. (Now the two countries are exploiting Sinkiang's resources through joint Chinese-Soviet companies.) This is the sort of thing that London is counting on.

• **Eye to Eye**—But you can't blink the fact that the ideological links between Russian and Chinese branches of Communism are firmly based. There is no danger of a split in the alliance on this score. From China's side, too, the links are reinforced by Peking's dependence on Russia for industrial equipment and military supplies.

Experience at Geneva shows that for the foreseeable future the Soviet-Chinese alliance is solid as a rock. Unless the Western alliance can do an equally good job of integrating its policies in both Europe and Asia, the chance may never come to split the Moscow-Peking axis. In fact, without close cooperation, the West may not be able to check Communist encroachment on the non-Communist world—except at the price of all-out war.

• **Summation**—Add it all up and you have this picture of Red China:

• The Communists have firm control over Asia's biggest nation.

• They will industrialize China, though by a slow, hard process.

• Their biggest problem is to get the capital for industrial investment from agriculture without destroying China's food supply base.

• In close alliance with Russia, they aim at Communist control of Asia—and may achieve it unless the West does a better job of meeting this threat than it has done since World War II.

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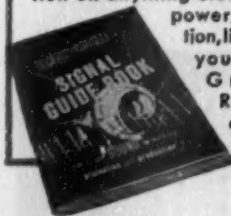
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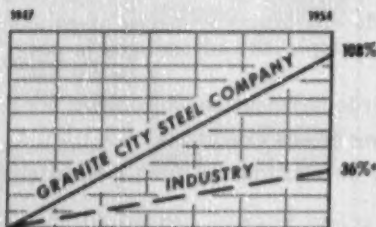
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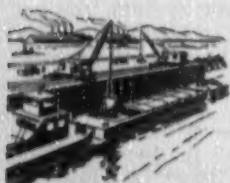
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SERVICE

To his countrymen, Pierre Mendes-France is the man of the hour.

As Frenchmen see it, Mendes-France performed a near-miracle at Geneva (page 30).

He got an Indo-China truce from the Communists without sacrificing close U. S.-French relations.

A citizen of Louviers, where Mendes-France is mayor, enthused this week: "Now there are only two parties in France—those who are for Mendes and the others."

This popularity gives the premier real strength in the French parliament.

He probably has at least six months to get his ideas across on three basic problems—North Africa, relations with Germany, and economic reform.

There's every indication he will use the same radical approach to these that he did toward Indo-China.

It looks as though Mendes-France will tackle North Africa first. There are reports that his plans include:

- Complete self-government (except in foreign affairs) for Tunisia and Morocco within three years.
- A large government investment program in both areas.

With a program like this, Mendes-France may be able to save the French position in North Africa.

He starts with great personal popularity among the moderate nationalists. Last week he ordered the release of one of their leaders, Bourguiba. This week a leading Arab paper in Tunis proposed that Mendes-France receive the Nobel Peace Prize.

But the fanatical nationalists, on the one hand, and the die-hard French "Colons," on the other, are sure to give him a hard time.

The French premier probably will compromise on the EDC issue.

For example, he might have the French parliament approve German sovereignty this summer. Then in the fall he would handle the question of German rearmament by trying to push through a modified version of EDC.

In the process he may well arrange a personal meeting with Chancellor Adenauer.

Mendes-France aims to revamp the French economy drastically. His technicians have just about blueprinted a program. But apparently he is not ready yet to go to bat for it.

For one thing, some members of his government want to convert it into a pork barrel operation. He will have to crack some heads together to get around that problem.

For another, Mendes-France will need to include the Socialists in his government to put through his economic reforms. And right now the Socialists are insisting on a general wage increase as the price for their support.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JULY 24, 1954

The fondest dream of traders and economists—convertibility of the major European currencies—has taken on more shape and substance.

There was a meeting of minds among U.S. officials and European financial leaders in London last weekend. A program emerged—to prepare for convertibility by moving simultaneously against monetary restrictions and import controls.

You can expect a step-by-step hacking away of controls on both fronts, culminating in a common European move toward convertibility this fall—or at least—by spring, 1955. The pound sterling would be in the van.

Washington applauds the progress. Through the Federal Reserve System and the U.S. funds credited to the European Payments Union, we are ready to backstop the program.

Don't look for a sudden, dramatic affair. There'll be a series of high-level, international meetings in the fall on the technical aspects of liberalization. They'll give you a running report on how things are going.

Two developments could upset the schedule. First would be a sudden weakening of European gold and dollar reserves. That's unexpected—right now the reserve kitties are glowing with health.

Second, and also unexpected, would be a major U.S. retreat behind higher import barriers. This week, the issue was on dead-center, with important tariff decisions coming up (page 114).

—•—

Congress will insist that the Export-Import Bank get a free hand to make loans both for financing specific U.S. exports and for the general financing of long-term development projects abroad (BW—Jun.19'54,p146).

Sen. Capehart's bill to restore the bank's independent status, and hand it \$500-million more lending authority, is due for final Congressional action this week.

Meanwhile, note the latest goings-on at the Ex-Im Bank:

- A \$1.25-million "participation" loan, to help finance the sale of electric power equipment to a private Spanish company. All told, it's a \$5-million affair, and the principal suppliers—Westinghouse Electric International and Babcock & Wilcox—will carry a big hunk of the credit on their own accounts.

- A campaign is taking shape to interest more U.S. exporters in Ex-Im's export credit guarantee program. Bring your own banker to Washington, says Ex-Im, and we'll guarantee his loan to you against nonpayment, inconvertibility, expropriation, and so on.

—•—

The West is counting some blessings in the Middle East.

In Teheran, the oil companies and the Iranians seem near a settlement. It could come next month.

In Cairo, there's hope of an Anglo-Egyptian deal on Suez by fall (page 111).

In each case, Uncle Sam stands ready to sweeten the settlements with cash.

It all helps to ease the tension. You might even see Iran, Egypt, and Iraq ready to join the Turkey-Pakistan defense alliance next year.

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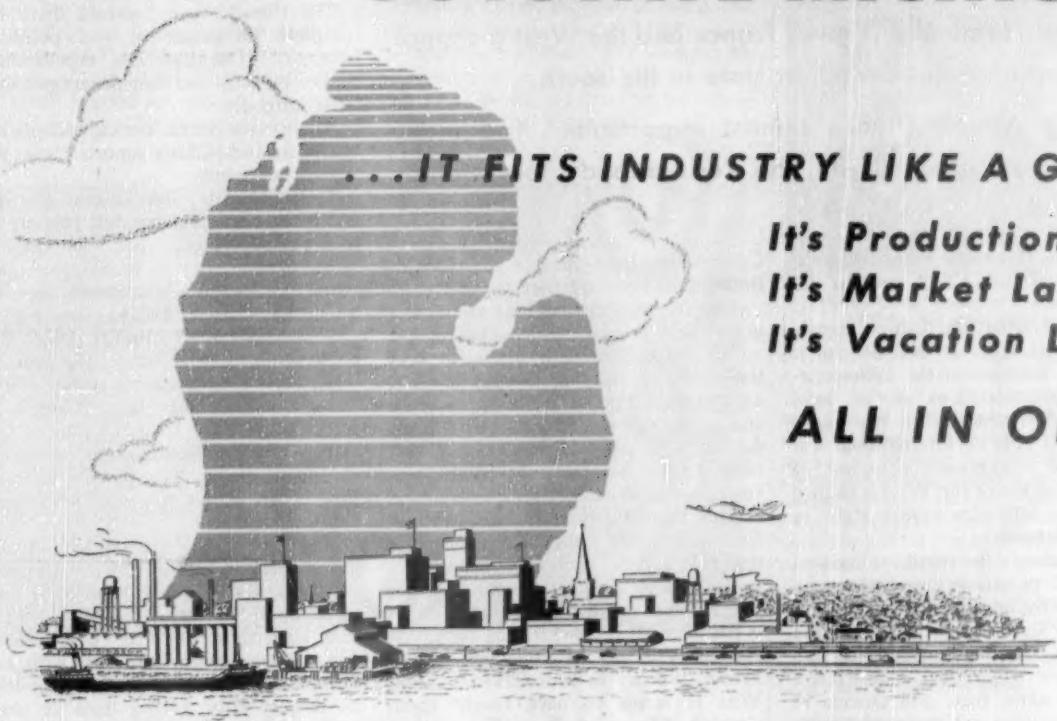
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BUSINESS ABROAD

France Calls It Quits in Indo-China

● The Geneva agreement, partitioning Vietnam, provides little more than a cover for a withdrawal from the whole country.

● Nominally, it gives France and the West a chance to build up an anti-Communist state in the south.

● Actually, that's almost impossible. Too many mistakes have been made, the Reds already too strongly entrenched.

At Geneva this week France handed virtually all of Indo-China over to the Communists.

That's not what the Geneva cease-fire agreement says. It provides for a partition of Vietnam at the 17th parallel, with free elections to be held throughout Vietnam within two years. Thus Geneva puts an international seal only on the Communist conquest of the north and leaves the West a chance to build an anti-Communist state in southern Vietnam.

In fact, though, the partition line and the election provisions are little more than a cover for an orderly French withdrawal from Indo-China. The situation in southern Vietnam already has deteriorated so badly that the French don't have more than one chance in five of preventing a Communist takeover there—perhaps even before elections.

There isn't much more hope for Laos and Cambodia. The guarantees for their security were so watered down in the final Geneva agreement that it will be a miracle if they can be saved from Communist penetration over the next two years.

• **Bare Facts**—This doesn't mean that Geneva was simply a diplomatic sell-out. The fact is that by this week France had lost the north to the Communists, and Geneva is merely registering the military and political situation as it exists. As for the partition and election arrangements, France couldn't hope to get any better terms—unless it had been prepared for an all-out fight, or unless the U.S. had intervened.

Paris hasn't completely written off all Indo-China, of course. Nor have Washington and London. No doubt Premier Mendes-France will make an effort to bolster up southern Vietnam by making political changes there. He's sure to call on the U.S. to help with an economic aid program. But the

Communists have most of the cards in their hands now and they know it.

The very things that have led to the defeat that France has already suffered are almost certain to bring the rest of the edifice crumbling down. It's not easy to make up for "a decade of waste and error," as the London Economist describes the political and military mistakes France has made in Indo-China since World War II.

The French failed dismally at both the military and political level in their struggle against the Communists in Indo-China. And their failure will plague them in the years ahead.

• **Military Mistakes**—Looking back, you can see the lack of knowhow of the French military in Indo-China. World War II seems to have taught them nothing. They let their bias against the Asian blind them to the ability of a fanatic Asian army, with tactics tailored to the Asian terrain. Both tactically and logistically, the Vietminh forces of Ho-Chi-minh—with the support of Red China—outfought the French throughout the struggle.

Dienbienphu was the crowning example of French military ineptness. The system of forts, which the French relied on, may have been perfect for repelling guerrilla troops. But the Communists had organized a modern army with automatic weapons and light artillery. They proved formidable.

This military failure of the French forces, even with unlimited supplies of American munitions, now makes the task of rallying the anti-Communist Vietnamese almost hopeless. No one wants to be on the side of the loser.

This showed up in a recent Vietnam draft call for 80,000 soldiers. Less than 10,000 answered the call. The rest bought their way out (at 15,000 piastres each, or \$200 at the going black market rates), fled the country, or joined the Vietminh.

• **Political Boners**—French mistakes on the political front were equally damaging. Few Vietnamese ever believed that they had a real stake in the outcome of the war.

The French never assured them of complete independence and political freedom. The Bao Dai experiment, backed by U.S. and British recognition, failed dismally.

A BUSINESS WEEK correspondent recently in Indo-China reports these revealing comments:

"Each time we have a new government, the French elaborately present us with our sovereignty. But what does it mean, if they give it to us again and again?" This was a Vietnamese steward on an Air Vietnam DC-4.

"Everyone is Vietminh here: the coolies unloading our ships, the pedicab boys, even the secretaries in my office. Why shouldn't they be? What have we ever done for them?" This is the way a French businessman appraised the situation in Saigon, which must now be the center of any effort to hold the south.

• **Too Late**—Creating a real Vietnamese government in the south when the people are in this mood will call for a near miracle. What's needed is strong Vietnamese leadership. But many of the ablest Vietnamese leaders are now with the Communists or have given up politics in disgust after having tried to work under the French and Bao Dai. One thing that sickened them was financial corruption, including the black market traffic in piastres. This traffic still goes on—for the profit of the French interests that control the finances of the Vietnam government.

Saigon is a good example of how badly the French have failed in Indo-China. The resources of this capital city have never been mobilized. It has been the scene of scandalous profit-making and high living, largely for the benefit of the French. Its example has either undermined the Vietnamese will to resist, or subverted the Vietnamese who originally had Vietnam's interest at heart. Worse still, Saigon's police department is now in the hands of near-gangsters—reportedly sold to them by Bao Dai himself.

• **No Real Solution**—If the south is to be rallied against Communism, an entirely new political situation will have to be created. A new Vietnam government is needed, one wearing a mantle of full independence. All connections with Bao Dai will need to be severed. And the French position will have to be

subordinate to Vietnamese control. Then this government will have to be ruthless in dealing with corruption, whether by French or Vietnamese.

It's doubtful if this kind of government can ever be formed. For one thing, many important French interests are suspected of plotting with local Vietnamese politicians for a regime that would be pliable to French demands. Some of the small businessmen, traders, and restaurant operators in Saigon are quite open about this. They figure that the south is good for another two years only. Therefore the government should

be rigged so that they can continue to profit as they have in the past three years.

There is no reason, though, why the Vietnamese politicians should play along with these French interests. They are more likely to work with Ho's agents, who are now moving more and more into the open.

Thus, it's likely that the Communists will gradually gain control of key spots in southern Vietnam. It's hard to see how they can be stopped unless France and the U.S. can get together on a new approach to the Vietnamese.



EGYPT MAY TAKE THE CANAL, BUT . . .

Suez Stock Stays Way Up

You might think from today's headlines that Suez Canal stock was on the skids.

In Cairo, British and Egyptian negotiators appeared close to an agreement on the withdrawal from Egypt of British troops, guardians of the canal. And in London, Tory backbenchers were denouncing what they term the "scuttle from Suez."

But the Suez Canal Co., responsible for the operation of the 100-mile life line of Empire, couldn't see it that way. Far from scuttling, the company was congratulating itself last week on being able to reduce canal tolls for the 27th time in 85 years. A major improvement program is planned. For 1954, the directors see increasing traffic, and profits.

Nor are investors fleeing Suez. Suez shares brought a bit over \$282 last Friday on the Paris Bourse, up \$8 during the week and selling well above 1953's high. For Frenchmen, who for years considered a Suez share the ideal wed-

ding gift for a favorite daughter, the company remains one of the bluest of the international blue chips.

• **Sentiment**—It may be a sentimental reaction rather than realism. The Suez Canal Co. is one of the most successful enterprises of the age, a monument to the free trading, Empire-building 19th Century. But today, it's hard to cling to hope of corporate immortality; the company itself is prudently preparing for its own demise, which, by the books, comes in 1968 with the reversion of its concession to Egypt. And no one can blink the possibility of premature death in the troubled Middle East.

• **No Bubble**—When Ferdinand de Lesseps broached the idea of the canal in mid-19th Century, the British foreign minister, Lord Palmerston, dismissed it as yet another "bubble scheme" for "gullible capitalists." He changed his mind quickly. Egyptian and French capital built the canal, to the dismay of the Britons who saw the

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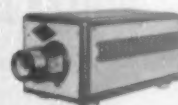
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French astride communications to the East. Britain got in the act quickly—first buying out Egypt's shares in the canal, then occupying the country.

While it owns 44% of the stock, the British government hasn't got voting control of the company: No one stockholder has more than 10 votes. The company prides itself on staying out of politics, and in its full name—Compagnie Universelle du Canal Maritime de Suez—the idea of a "universal" company, in which all nations participate, is stressed. Egyptian-chartered, with headquarters in Paris, the company has 32 directors, representing Egypt, Britain, France, the Netherlands, and the U.S. A Parisian, Jacques Georges-Picot, is director general. Egypt receives 7% of the canal's gross receipts (close to \$100-million last year).

When the company was founded in 1858, shares were offered on a pro-rata basis to many nations; today, 76% of the shares not in British government hands belongs to French families. While the U.S. was offered 20,000 shares at the start, Americans never got aboard in any numbers and it's estimated that no more than 2,000 shares are U.S.-held.

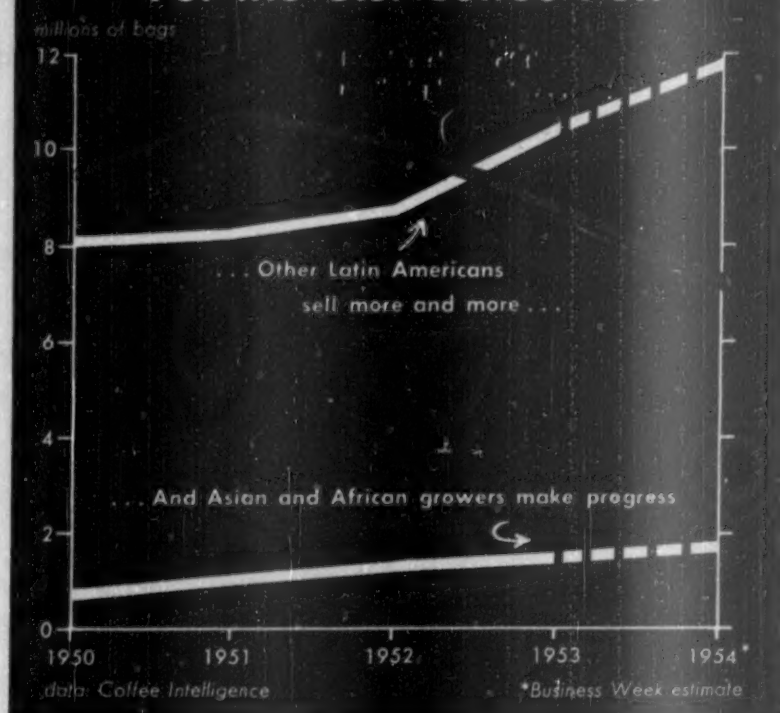
• **By Number**—With its eye on 1968, the Suez Canal Co. is gradually redeeming shares, by lottery, at the rate of 20,000 yearly. When your number is called, the company pays \$81 par value of the stock plus a certificate representing participation in dividends for the rest of the company's life. Dividends are now at \$29 a year; of the original 800,000 shares, 481,550 were outstanding at the beginning of this year.

• **Record**—On the basis of the first six months, Suez Canal executives see 1954 surpassing the all-time record year of 1953, when 12,371 vessels stood through the isthmus carrying 90.4-million metric tons of goods—three times the prewar traffic, three times the traffic of the Panama Canal. U.S. use of the canal has increased tenfold in a decade, mainly in the oil trade, which all told represents 96% of northbound traffic.

• **Prospects**—Barring world war, which would make Suez an immediate battleground, whether the Suez Canal Co. lives out its days in peace depends heavily on Egypt. For all their nationalist noises, Egyptian leaders appear to want "harmonious" relations with the canal company. It may be that they do not want to jeopardize their search for foreign investment capital. And they realize that Egypt will have its chance to run the canal in 1968.

For its part, the Suez Canal Co. is studiously avoiding politics, speeding the integration of Egyptians into its staff, and keeping fingers crossed. There will be a lot of water through Suez in the next 14 years.

For the U.S. Coffee Pot:



Brazil Feels the Squeeze

Six months ago, Brazil looked forward to a year of high living. Soaring coffee prices promised a bonanza of dollars.

This week, Brazilians are dickering with the Federal Reserve Bank of New York for a dollar loan to tide them over.

The chart above tells part of the story. For three years, Brazil's preeminence as coffee purveyor to the U.S., and to the world, has dwindled. In the past few weeks, the trend has accelerated: Brazilian coffee sales here have plummeted. That means less dollar earnings, which Brazil must have to (1) pay its debts; (2) buy urgently needed equipment and materials in the U.S.; and (3) provide U.S. investors in Brazil with dollars to send home to the stockholders.

Though dollars are suddenly short in Brazil, the country is not now in the grip of a roaring exchange crisis. But the outlook was serious enough to send the Brazilians to the U.S. looking for credit. At midweek, it looked as if an \$80-million loan would be O.K.'d by the Fed. And while the loan would help make up for the drop in coffee dollars, American businessmen with markets or investments in Brazil were proceeding with caution.

In the midst of plenty, Brazil seems to be starving. It's hard to believe. Earlier this year, high coffee prices sent a stream of dollars into the country. Through March, Brazilians were able to increase their purchases in the U.S. 15% over the same period last year; the debt backlog, which plagued U.S. exporters in 1953, was wiped out. Everybody talked coffee shortage in Brazil.

The turnaround was sudden. Instead of shortage, Brazilians are now facing a coffee surplus. Not only did Brazilian leaders underestimate crops, but they overestimated exports. Actually, U.S. importers and housewives overbought, and now are buying less.

• **Bad Guess**—In early June, Pres. Getulio Vargas announced a new minimum coffee price (87¢ a lb. f.o.b. Santos)—a plum for growers who weren't getting a fair share of boom coffee earnings. The move was also an effort to extract as many dollars from the coffee market as possible.

But the government miscalculated the strength of the boom, and pegged the price too high. Coffee isn't moving from Brazil. The government is now piling up stocks, and can't face cutting prices and taking a loss.

Brazil is risking a bad situation later

on—hoping that by late summer and fall coffee will sell, and dollars will flow into the Bank of Brazil. If that doesn't happen, Brazil will have coffee running out its ears by yearend. Some prophets of doom even say that some coffee may have to be burned—a grim reminder of the vast surpluses of the 1930s.

• **Ominous**—Whether or not Brazilians back down from their minimum price (which many observers think likely, though a dollar loan would make it easier to stick it out), there are ominous longer-term considerations. Brazil's coffee lands are wearing thin, and new areas being planted are prone to frost. Also, the government take of the profits is so high that growers haven't been getting enough return on their crops to encourage long-term investment. Meanwhile, high prices are bringing in new coffee production all over the world—and this new production is digging deeper into the market every day. You hear dark comments that Brazil's coffee is fast going the way of its rubber—and that another boom is moving inexorably toward bust.

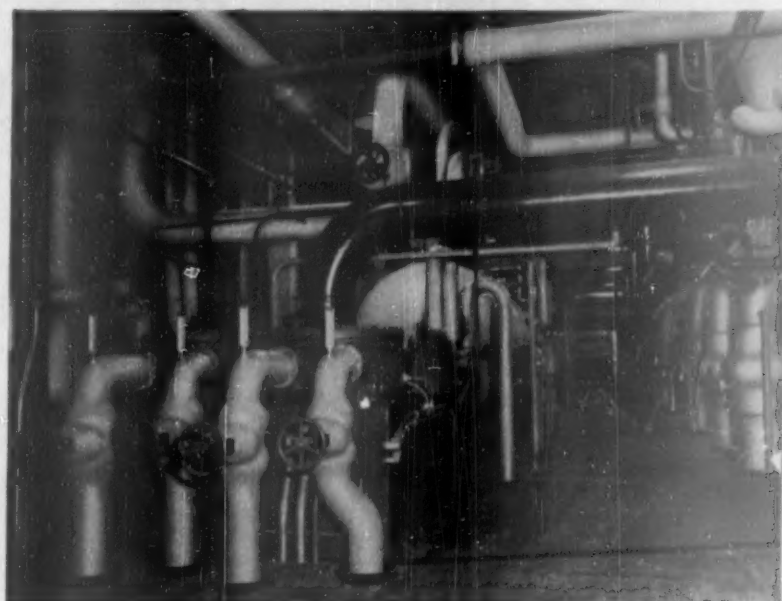
Near term, coffee problems are playing hob with Brazil's dollar supply. Without a healthy spurt of sales, or a substantial credit (which, after all, will have to be paid back, adding to Brazil's heavy debts) many observers look for a full-dress exchange crisis come December. In the past month, dollars available at the weekly auctions of exchange have been pared drastically—last week they were down 50% from the week before.

Meanwhile, the free market rate of the cruzeiro has pushed past 60 to the dollar (the official rate is 18.82). Inflation continues. This limited, de facto devaluation of the cruzeiro on the free market will be reflected in increasing pressure for an official devaluation. It's in the cards, sooner or later.

• **Life Line**—Over-all, there's a cloudy outlook for Brazil's imports. Unless earnings pick up, there'll be pressure to cut back purchases abroad—and there's precious little room for cutting. Industry, already skimping on needed equipment and materials, will resist further belt-tightening. The biggest single import is fuel—it's estimated that close to \$200-million worth (at the official rate) will be needed in the next six months. And there's little room for economies there.

Outsiders—and more and more Brazilians—think the only way out over the next decade will be vastly increased oil production in Brazil; that, they say, means inviting in outside oil investors and corporations now blocked by Brazil's nationalized—and highly nationalistic—petroleum program. If it forces realistic action on oil, some businessmen in Brazil say, an economic crisis will be a boon to the country.

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Tariff Battle Gets Up Steam

And White House is torn between liberal trade policy and business pleas; President delays lead-zinc ruling, faces watch decision; Commission starts omnibus hearings.

This week, the battle over tariffs was raging merrily, generating more unwelcome heat along the already sticky pavements and glaring sidewalks of mid-summer Washington. Through the turmoil and clatter, you could almost hear the soul-searching of the Administration on the perennial problem of trade.

The White House is in a real dilemma. On one side is its avowed determination eventually to liberalize U. S. foreign trade—and, until that is possible, to prevent at all costs any tightening of trade barriers. On the other side are the loud pleas of businessmen claiming injury from imports—with the support of a host of congressmen, eyes on fall elections and ears attuned to constituents' import worries.

All kinds of businesses are involved—from lead mining to fishing-rod fabricating. And many small industries are waiting to see which way the decision is going. Any increase in tariffs now would bring a pack of new requests for relief, and make the Administration's position hotter, both at home and abroad.

Here's a bird's-eye view of the tariff situation this week.

Lead and Zinc . . .

One of the best ways out of a sticky tariff decision is to request more time for study. That's what President Eisenhower did this week on the problem of relief for the lead-zinc mining industry in the U. S.

The mines have been slipping steadily—lead imports, for example, have jumped from 20% of domestic production in 1948 to 63% now. On May 28, the Tariff Commission recommended that the President impose higher duties. Mexico, Canada, and Peru—our major suppliers—howled, and threatened dire repercussions for U. S. trade.

By postponing its decision, the White House hopes to come up with a compromise that will help U. S. miners and not penalize imports. Already, purchases of domestic lead and zinc for the stockpile have been stepped up. Most observers expect some kind of subsidy scheme will be evolved—and the tariff left as is.

. . . and Watches

As BUSINESS WEEK went to press, the

future of watch imports was shrouded in White House secrecy. The Tariff Commission has recommended a tariff boost on Swiss watches; a decision must come by early next week. It's the most important tariff case to come to the Eisenhower Administration—and is regarded throughout the Western world as the bellwether of U. S. trade policy (BW—Feb. 6 '54, p. 108).

The problem of watch imports is the most intricate—and most frequently debated—tariff case. President Truman turned down a recommendation for tariff relief in 1952. In 1954 hearings, domestic watchmakers have leaned heavily on the national defense argument—that watches from Switzerland were completely destroying an essential U. S. defense industry.

President Eisenhower is known to weigh the national defense angle strongly; at the same time he is loath to touch the watch tariff. At midweek, the decision was a tossup—with some observers betting that watch tariffs, like lead and zinc, would be postponed for further study.

. . . and 440 Others

Last week, the Tariff Commission launched a hearing to end all hearings—an omnibus affair covering 440 imported items that bear tariff rates of 50% or more. The idea is to find out (1) what tariffs over 50% can be cut without hurting a U. S. industry, and (2) what tariffs need to be raised.

The emphasis all seems to be on what tariffs should be raised. The probe, in fact, seems in a fair way to become a source of ammunition for next year's fight against the Administration's proposed three-year tariff and trade bill. This bill would give the President authority to pare any tariff down to a 50% ceiling. High-tariff people have opposed this provision in principle, but have not had specific information on what industries would be affected. The current hearing will provide information wholesale.

The items under consideration are, individually, minor points in the tariff debate. Of the 440, only 17 were imported by the U. S. last year in quantities over \$1-million. The highest valuation on the list was cheap costume jewelry—at \$6.1-million. The list scales down into a miscellany of items: chemicals, linseed oil, dried eggs, pistols,

water meters, pocket knives, chinaware, fishing rods, window blinds, and so on.

The small dollar volume will be used as an argument by both sides. The Administration will point out that import volume has been cut to almost nothing by unnecessarily prohibitive tariffs. The opposition will counter that such a small volume is involved that it's not worth ruining some small U. S. businesses for the sake of a negligible gain in trade.

BUSINESS ABROAD BRIEFS

More Yankee dollars are crossing to Canada: U. S. investment there jumped from just under \$8-billion in 1952 to \$8.6-billion at the end of 1953. Ottawa reports that three-quarters of the increase represents investment in branch plants of U. S. companies, the rest, in Canadian government and corporate securities.

A posh businessman's resort in Jamaica is planned by Mahoe Bay Co., Ltd., a syndicate headed by a Fort Wayne (Ind.) executive. The West Indian venture expects to have 248 acres, \$1.2-million worth of clubhouse, hotel, private cottages, yacht basin—and an exclusive clientele.

Chemical partners: Dow Chemical Co., of Midland, Mich., has bought half interest in Pyrina, S. A., a Mexico City pharmaceutical manufacturer. Meanwhile, Dow Chemical Inter-American, a Dow export subsidiary, opened a Mexican sales office for Central America, Colombia, and Venezuela, as well as for the local market. . . . Royal Dutch Shell group and Mitsubishi Chemical Industries plan a joint petrochemical operation in Japan, producing acetone and isopropyl alcohol.

Copper deliveries to Western Europe last month set an all-time record—130,335 tons—thanks to the bustling state of business there. Supplies are tighter in the U. S., too. Chileans, recently suffering a huge unsold copper surplus, feel sprightly enough to jack prices on refined copper ¼¢ a lb.

The Pictures—Black Star—111; Douglas Aircraft—32; Electronic Associates, Inc.—135; Esquire Studio—52; General Electric—62; Martin Harris—28 (top lt., bot.), 78; Bob Isaac—28 (top rt.), 29; N. Y. Herald Tribune by James Kavallines—54; Pratt & Whitney Aircraft—142; United Press—30 (lt., rt.), 80; Wide World—30 (ctr.).



For this Midwest power station, Westinghouse induced draft (center) and forced draft (right) fans move a total of 92,500,000 cubic feet of air and gas every hour, every day.

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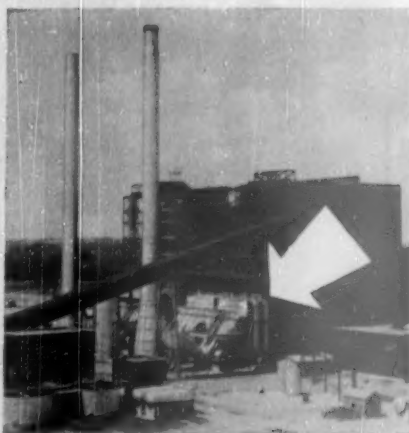
Air-cooled bearings, welded steel construction resist elements

Eight Westinghouse Turbovane mechanical draft fans with vane control supply draft to the two boilers of the Meramec Station of Union Electric Company located in St. Louis, Mo. Installed outdoors where they are exposed to the varying elements, these fans perform their part of a vital power-generating job with only routine maintenance.

Four of these fans are Turbovane forced-draft type arranged double width, double inlet. The other four are

Turbovane induced-draft fans with radial-tipped blades and erosion-resistant wheels. Vane control on all fans allows instantaneous regulation of air volumes to meet changing steam demands.

For power generation—or for any other air handling job—check on Westinghouse-Sturtevant apparatus today. Let the industry's most complete air handling line put air to work for you—efficiently, economically. Call the Westinghouse-Sturtevant specialists located in your area or write: Westinghouse Electric Corporation, Sturtevant Division, Hyde Park, Boston 36, Mass.



Located at the heart of power generation at Meramec, four Westinghouse forced draft fans supply 150,000 cfm each, at 11.3 inches water gauge while operating at 1180 rpm. These are teamed with four Westinghouse induced draft fans handling 235,500 cfm each, at 277° F and 17.1 inches water gauge while operating at 700 rpm.

WESTINGHOUSE AIR HANDLING

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J-60417

THE MARKETS

Open-End Fund Share Sales Stop Slipping...

New Share Sales
(Millions of Dollars)



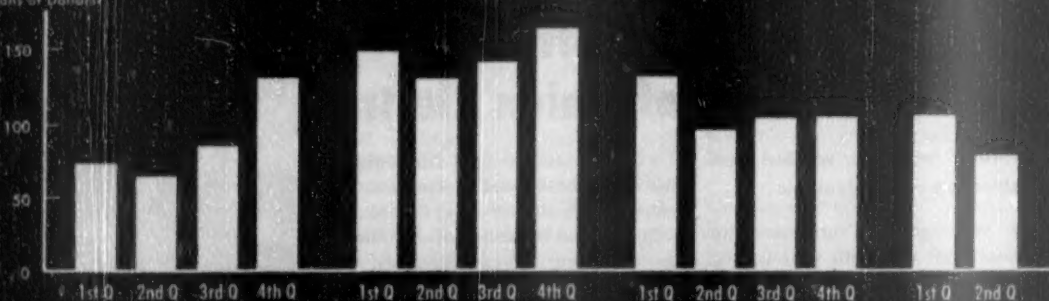
... But The Redemption Ratio Keeps Moving Up...

% of Redemptions
to New Share Sales



... So New Money Receipts Dip To Three Year Low

New Share Sales Less Redemptions
(Millions of Dollars)



Data: National Association of Investment Companies

Fund Salesmen on a Treadmill

Security sellers toiled nobly in the open-end trust vineyard for the second quarter of 1954. All told, they sold \$154.5-million of new shares, the biggest second-quarter on record and 15% above the 1953 period.

But the salesmen were running on a treadmill. The chart above shows that redemption of fund shares shot up even

more sharply than new sales. The cashing in of shares hit 58% of gross sales, compared with only 40.1% for second-quarter 1953.

On balance, that left net receipts of new money at their lowest quarterly point in three years: \$77.5-million. That was a 25% drop from the first quarter, and 19% below a year previous.

Thus, the open-end investment trade has been having to sell \$238 of new shares in order to add a net \$100 to capital. For the 1953 second period, it took sales of only \$167; two years ago it was \$138.

• **Drop Belittled**—Still, the fund people refuse to worry over rising redemptions. They claim that total assets—not new



Long Distance doesn't cost



it pays

A lot of the hard-cash cost of selling never shows up in expense accounts.

There's the time a good salesman loses waiting to see a customer. That costs money.

So does the time wasted when an appointment is broken, a prospect is missed by minutes, a key man is out of town.

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and step up sales—through the systematic use of Long Distance.

We have a number of specific suggestions for the profitable use of Long Distance—not only in Sales but also in Purchasing, Administration, Traffic, Production, Engineering and Accounting.

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LONG DISTANCE RATES ARE LOW

Here are some examples:

Baltimore to Philadelphia	55¢
Cleveland to Pittsburgh	60¢
Houston to New Orleans	\$1.05
Chicago to New York	\$1.50
Los Angeles to Washington . . .	\$2.50

These are daytime Station-to-Station rates for the first three minutes. They do not include the federal excise tax.

Save time—Call by Number

BELL TELEPHONE SYSTEM



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since 1949



This new Omar building in Indianapolis, Ind.—the 30th Luria structure for America's fastest-growing bakers—basically is a counterpart of its twenty-nine predecessors located in Ohio, Indiana, Nebraska, Iowa, Wisconsin and Illinois. E. W. Hauser Construction Company of Indianapolis was general contractor for this newest building.

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shares—are the only proper yardstick for measuring the cash-ins. On that basis, the trade says that over-all redemptions are quite insignificant. On top of that, the individual funds object to being considered just as part of an average. Each wants its redemptions to be weighed separately.

The trust supporters find further consolation in the claim that redemptions always rise and fall along with stock prices.

When stocks drop, cash-ins become rarer; when the prices rise, open-end fund shareholders increasingly want to cash in on the new profits.

The pro-fund people go still further. They contend that even the tendency of redemptions to rise with stock prices is more than offset by other factors. For one thing, rising prices mean higher value on net assets. Thus, in the bull market period between September and the end of June, net assets of the funds rose by \$1-billion, to a record \$4.94-billion. And that gain was made despite sharp year-to-year drops in quarterly new money receipts.

**Brokers Thaw a Bit
On Monthly Investment**

Most member brokers put on the heavy chill seven months ago when the New York Stock Exchange launched its Monthly Investment Plan (BW—Mar. 6 '54, p. 46).

The signs are now that the brokers are beginning to thaw. Last week the Big Board announced that 19,000 plans, representing \$4-million, have been started through its members. What's more, there are orders on the books that, if completed, will be worth \$45-million, with new plans coming in at a rate of 100 to 150 a day.

MIP still has not lived up to the rosier hopes of its founders, but the smaller firms are markedly less dubious now. And as the exchange happily points out MIP publicity has not only brought in accounts directly, but has had the byproduct of regular accounts evolving from MIP inquiries.

One anti argument—that MIP commissions would hardly cover administration costs for smaller firms—is losing some of its steam. Now, one house has estimated that a single \$100-a-month MIP investment for five years would bring the broker \$9,465 in gross commissions.

So far, the MIP investors have stuck pretty well to blue chips, or almosts. Favorite stocks have included RCA, Dow Chemical, General Motors, Standard Oil (N. J.), and AT&T. Among the utilities, Long Island Lighting, Con Edison, Pacific Gas, and Columbia Gas have had a good play.



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TAXES

Not for Revenue, but for Growth

● That is the basic principle of the first real tax revision bill in U.S. history, given its final polish by Congress this week.

● It is not a collection of haphazard tax cuts and changes, but a careful, top-to-bottom rewrite of the law.

● Its chief aim is to provide incentives for growth of private business.

In 40 years of haphazard revenue-hunting, federal tax writers have seldom had a chance to tidy up their own cluttered rules, or to cast a long, contemplative look forward. Most of the time—like delinquent clients of a small loan agency—they have simply scrambled for money.

This week, for the first time, the pattern was broken: Congress put the final polish on the first real tax revision bill in U.S. history.

• **Measures**—It's a bill that does three things, each bearing hard on the hopes of businessmen.

• It takes the first big step toward a systematic revenue system based on the theory that—given a chance—business will expand fast enough to assure prosperity. It's the key measure in the Administration's drive to boost gross national product by \$85-billion a year by 1960.

• At a cost of less than \$300-million in revenue, it clears away complexities, simplifies language, and gives the whole tax structure a fresh start.

• It clears the way for the next round of revision—based on the same philosophy: that the taxing power, handled correctly, will actually stimulate economic growth. This raises the vision of a future in which revenues increase while tax rates drop.

• **New Chance**—The bill gives the first Republican Administration in 20 years its opportunity to spell out in detail what party orators have long clamored for—a new chance for business.

The new law will offer that chance, but in ways far different from anything businessmen used to dream about. Some will say there's more New Deal in it than they would like. Yet it does provide what business has said it needs—powerful stimulants to investment.

I. Shifting the Burden

The bill is a remarkable achievement

in many ways. Most remarkable is that it exists at all.

In the eyes of many tax experts, top-to-bottom revision of the International Revenue Code has been badly needed since 1913, when the income tax got into the law to stay. Former Pres. Harry S. Truman asked Congress for sweeping revision right after World War II. Public officials and private tax experts have pleaded for it in every session of Congress, but despaired of ever getting it.

Yet here it is: 800 pages of tax rules, every word looked at afresh, thousands of sections revised, hundreds of new rules spelled out for the first time.

• **Sharp Turn**—It will make 1954 a landmark in tax history. For one thing, every expert in the country must start from scratch, even to learning the section numbers all over again. It will be a decade before the exact meaning of some of the law's new provisions will be finally determined by the courts.

More important, the tax bill represents a sharp turn in philosophy. Some of the Democratic critics of the bill say it is a hairpin curve back to Alexander Hamilton and the "trickle down" theory of prosperity: Let the rich prosper, this theory goes, and benefits for everyone will work down through the economy in the form of more jobs and more goods. It is basic Democratic dogma that this theory, in the 1920s, resulted in the Great Depression—or at least intensified it.

The most powerful Democratic attack on the bill came from Sen. Paul Douglas of Illinois. He accepted the goal of more investment as desirable. But he argued that the method was wrong; that cuts in individual income taxes, translated into new buying power, would lead inevitably to expansion of investment. He sharpened a fundamental split between the parties that may become a major campaign issue this fall.

• **As a Whole**—Yet the number of seri-

ous critics of the bill were notably few. What's more, they centered their heavy fire on just one provision—the one that gives special tax relief on income from dividends. When the oratory died away, Democrats voted overwhelmingly in both houses for the bill as a whole.

Actually, it had solid bipartisan support from the day of the first committee hearing. In the past, Democrats had themselves recommended most of its key provisions—even to relief for income from dividends. And in the political and economic climate of 1954, they found it easy to rally to the bill's broad principle—which was to throw the main burden of economic growth and expansion back on the private business sector of the economy.

• **Single Force**—Tax writers combed through the old revenue code, watching for anything that looked like a barrier to business growth. Where they found one, they either knocked it out altogether or reduced its impact by changing the rules.

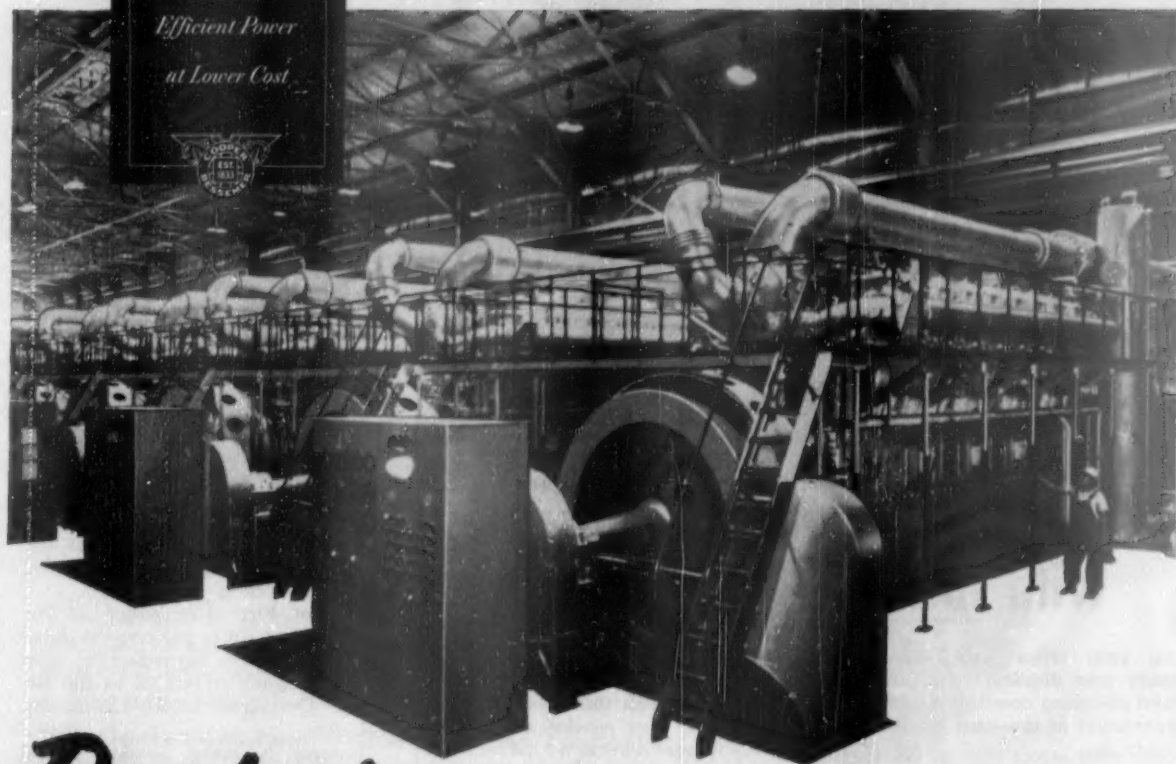
Their over-all purpose is a fateful one: to beef up private incentive to a point where it will take the place of the great economic driving forces of the past 20 years. In the 1930s, there was government action to halt a depression; then came war, then inflation, then war again. These are powerful forces. They pushed national output to dizzy heights, and the economic well-being of the average American soared, too.

Lawmakers sensed that these forces had played out; that the world was becoming more stable despite Communist advances in Southeast Asia; that the Korean war inflation had lost its punch; that the tired old boom had sputtered out.

Something new was needed. Pres. Eisenhower's Administration, and a Congress almost equally divided between the parties, agreed the new tax bill was the most glittering economic come-on they could devise for peacetime prosperity. It is taxation not for revenue, but for growth.

To live up to the hopes of its designers, the bill must perform a tremendous task. Gross national product is running some \$12-billion below what reasonably full employment would provide according to the Administration's own standards. By yearend, the Administration will have sweated out 18 months without any basic economic growth. Yet its chief economic analyst—Dr. Arthur Burns of the Council of Economic Advisers—has said that in

Another Example
of
Efficient Power
at Lower Cost



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IT is doubtful that any other industrial power facility in the country can equal this plant for low-cost power generation! The photo shows only a few of the 42, 100-ton, 3700 hp Cooper-Bessemer engines now hard at work in the Reynolds Metals Company's enormous new San Patricio aluminum reduction plant near Corpus Christi, Texas.

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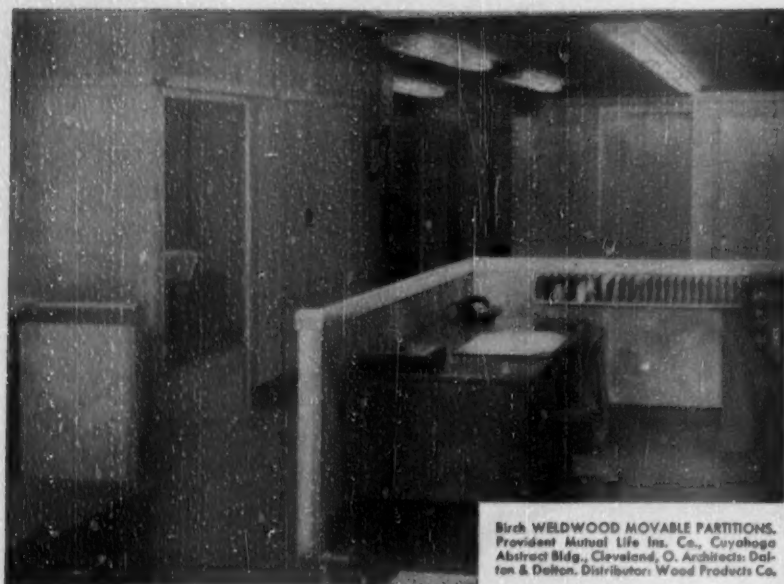
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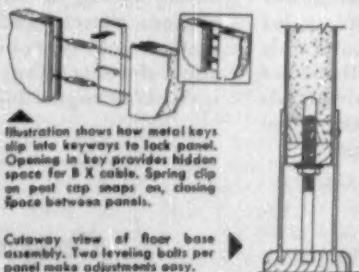
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five years it is "essential" that we produce at a rate almost \$85-billion above the present GNP. To meet any such goal, business will have to start expanding—and fast.

II. New Approach

This is the fourth time in U.S. history that legislators have sat down to rewrite tax laws in the name of business growth. But it's the first time they ever pinned their faith to a revision of the rules.

The traditional method has been simply to cut rates and let business find its own way to prosperity, if it could.

But in the present bill, tax reductions are almost incidental. The immediate cuts come to \$1.4-billion, and these are largely offset by a one-year extension of present corporation tax rates—which will bring in \$1.2-billion. There have been other reductions during the year, of course. The excess-profits tax died Jan. 1. Individual income taxes and excise taxes were cut. But the Administration opposed the excise slash—just as it opposed scores of other ideas that would have lost big chunks of revenue.

• **Revision First**—The policy of the Treasury has been to put revision ahead of reductions. The big reductions were the ones already embedded in the law by the Democrats before Eisenhower took over.

Business is being handed special kinds of tax reductions, mostly to stimulate investment, instead of the simple across-the-board reductions so beloved of Congressional tax writers in the past.

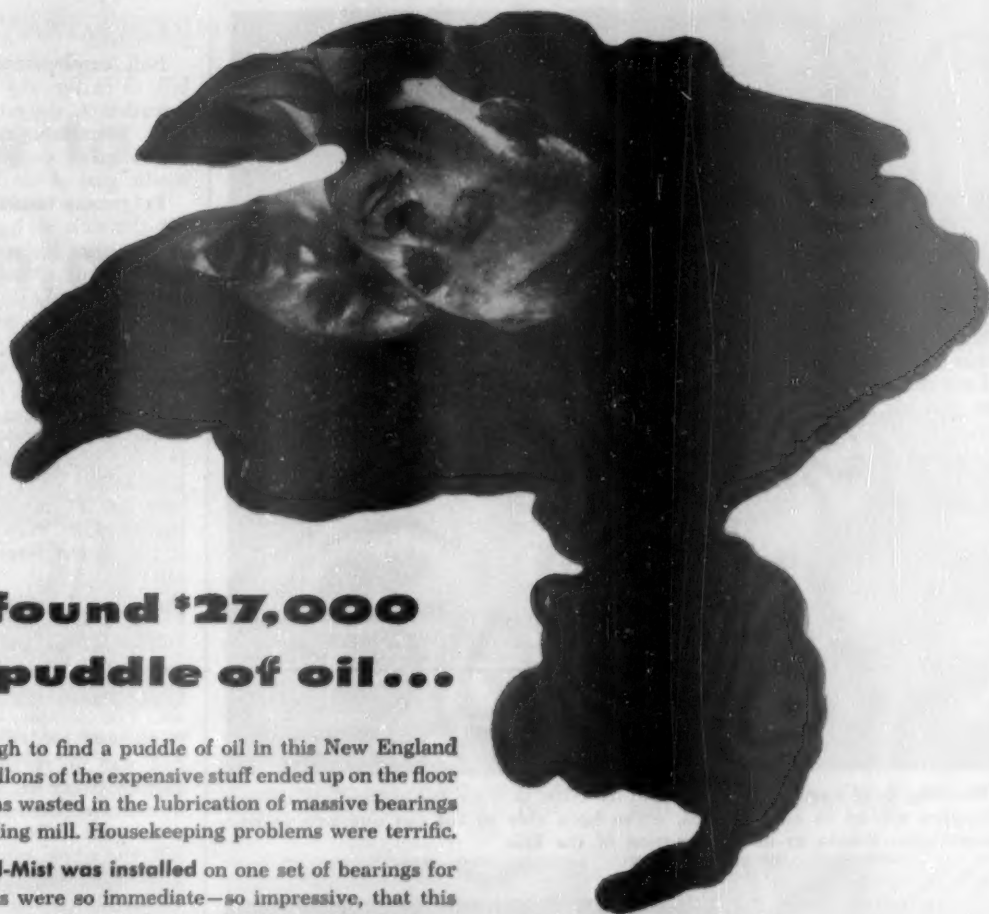
III. How Much New Deal?

Behind this basic decision—a real gamble by the standards of the old orthodoxy—is a question that businessmen can't help asking: How much New Deal is there in the bill? On one essential point, at least, the Administration sees eye to eye with its Democratic predecessors. That is the key role of government in assuring a strong economy. The difference is in the method.

Social reform: There is none in the new bill, in the old New Deal sense of chastising corporations and the rich in the name of the forgotten man.

High taxes: The bill continues extremely high tax rates—the price of revision.

Big government: Behind the high tax rates is the plain outline of big government—big by any standards but those of all-out war. The Administration has made it plain that it will pump up highway aid, hospital construction, and other forms of public works. It is pushing for an expansion of Social Security and public housing. Defense outlays



they found *\$27,000 in a puddle of oil...

It was easy enough to find a puddle of oil in this New England steel plant. 700 gallons of the expensive stuff ended up on the floor every week. It was wasted in the lubrication of massive bearings on their strip rolling mill. Housekeeping problems were terrific.

Then Alemite Oil-Mist was installed on one set of bearings for a test. The results were so immediate—so impressive, that this remarkable system was installed throughout the plant. It eliminated oil waste completely! Saved the 700 gallons of oil that had ended up on the floor every week—a matter of \$27,000 a year!

Even more important were the savings effected in labor costs, downtime, and the reduced possibility of bearing failure. A major housekeeping problem and fire hazard was eliminated from the plant. No wonder management is delighted. Delighted, too, with the ease of Oil-Mist installation and the modest cost, repaid by savings in a few short weeks.

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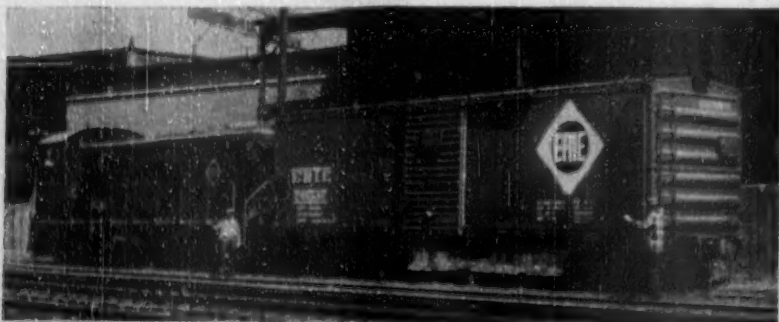
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apparently will stick at something like \$30-billion.

Full employment: Nothing in the bill, or in the way the Administration defended it, suggests any backing away from Eisenhower's campaign promises to make full employment a major domestic goal of his Administration.

Progressive taxation: The idea of taxing the rich at higher percentages of income than the poor is retained. This principle, of course, is far older than the New Deal, though it was carried to new extremes under Pres. Franklin D. Roosevelt. The temptation to add a federal sales tax—which would tax the poor more heavily, percentagewise, than the rich—fascinated the Administration in the opening phases of its tax studies. But the Administration put the temptation aside when political opposition blew up. There's good reason to think the Administration will revive the idea if the opportunity offers.

IV. Troubles Ahead

The bill achieved a solid but unspectacular triumph by cutting away vast areas of confusion from the old act. For example, there were about 40 sections of the old code that dealt in one way or another with matters of interest payments due for nonpayment or under-payment of taxes. These references were scattered widely. In the new bill, the whole subject is dealt with in a single five-line section.

But no tax bill can be perfect, and this one may turn out to have more than a normal share of plain mistakes. An indication of this was the way the Treasury and the staff of the Joint Committee on Internal Revenue scrambled to correct language in the House version.

Another round of corrective language is expected by most tax technicians in the next session of Congress.

"There's section after section which my staff can't begin to understand," a leading Washington tax attorney said after an exhaustive study. "It's asking too much of human beings to jam through a bill of this kind, as quickly as this one was handled. It bristles with boners."

• **Talent**—Even so, it is far and away the most diligently processed tax bill that ever went through Congress. A big task force of Treasury and Congressional technicians toiled something like 300,000 manhours in preparing the original House version. In government, such a concentration of expert talent is unprecedented.

The result is still not perfect. But government observers find it useful to recall that Ford Motor Co., in developing the H-block, V-8 motor in its current models, toted up 900,000 man-hours on that single project.

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Source: P.I.B.—Year 1953

PERSONAL BUSINESS

BUSINESS WEEK

JULY 24, 1954



Take time out to review how much your secretary knows about your vital personal affairs. Chances are you'll find she doesn't know enough to handle things properly in case of emergency.

Assuming she's a top-notch secretary, she should know at least as much about many of the details of your personal business as your wife. She's better qualified than your wife to handle them, since she's directly involved with the business world. Her knowledge will thus be important in saving a lot of grief for everyone in case of your death or other contingency.

The list of personal facts your secretary should have on file is a lot longer than most executives realize. Such seemingly minor points, for example, as the location of the keys to your safe-deposit box and your Social Security number can be of major importance. Here's a partial list of other things:

- **Insurance.** Give your secretary a complete list of policies. Don't forget hospitalization, surgical, health and accident, and various employee benefits. Make sure she knows the name of your insurance broker and the due dates on all premiums.

- **Legal papers.** Tell her where to find your will, birth certificate (your wife may need this to answer questions pertaining to your life-insurance policies), deeds to property, automobile ownership certificate.

- **Financial papers.** Pinpoint the location of such valuable papers as bonds and stock certificates, U. S. savings bonds, savings-account books.

- **Taxes.** Your secretary should know where your income tax returns are kept for at least five years back. Tell her where you keep tax receipts for any real property you have. Give her the dates tax payments are due.

- **Debts.** Let her know how much mortgage payments on real estate run to, and when they come due. Do the same with all other debt and interest payments you may have. Include an update on the status of Social Security payments for domestic help.

- **Property.** Make sure she has a description of family jewels and heirlooms, and where they are. Give her a copy of your inventory of household goods.

- **People.** Your secretary should know the names, addresses, and phone numbers of certain key people involved in your personal affairs—your lawyer, tax adviser, banker, and the like. (Incidentally, do you know your secretary's home address and phone number?)

Executives tend to forget that today's secretary is competent far beyond the routine duties of taking dictation and keeping an appointment book. The really top secretary most executives have is trained to do everything from conducting interviews to drawing legal papers and keeping records of security transactions.

Don't give her such work unless she is well trained. A good secretary usually has at least some college education. If she does, then you can get maximum value by giving some extra care when hiring.

For example: Don't ask simply if she is a college graduate. Find out what subject she majored in. If you work in the field of finance, you'll find an economics major of far greater help than an English major.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
JULY 24, 1954

On the other hand, if your troubles lie in getting your ideas down in simple, readable form, a secretary who is good with words can save you a lot of time and energy. Let her answer some letters on her own, for example.

Regardless of her major, a college girl who has been trained at a good secretarial school can still handle your personal affairs efficiently without having it interfere with her regular work.

For comfort and safety, be sure to wear sunglasses when you're outside for long periods on bright days. By cutting glare, they ease squinting, prevent frequent headaches and excessive fatigue.

It's a popular fallacy that dark glasses weaken or otherwise harm your eyes. They won't, regardless of price—even the cheapest lenses today are made to rigid specifications set by the U. S. Bureau of Standards.

Manufacturers say price difference is mostly in the frames, that there is no difference in sharpness of vision between the least and most expensive glasses.

Get the color lens you like best—one is as effective as the next. Take a look at the new so-called "neutral" tint. This is a dark grey lens called "Natural View." It shuts out glare without distorting colors as much as other lenses do.

If you wear regular glasses, you can get your prescription built into dark lenses. Check with your oculist first to make sure your prescription is still the same.

Sun glare won't cause permanent eye damage or blindness. It will exhaust temporarily functional chemicals in the eyes, and can cause temporary blindness.

Look for an increase in the popularity of vodka. For a tall cool one, devotees are now recommending a vodka collins or vodka and tonic as a change.

Executives would be a lot happier if they thought as much about their own future as they do about that of their company. A philosophy of life projected into the future can help a man adjust his attitude and determine how he personally wants to spend the rest of his life—especially his retirement.

That's the belief of Julius Stulman, a highly successful New York lumber dealer. "A good businessman should be a good philosopher," he says. "He should engineer his thinking to catch the feel of tomorrow, when values will be changed."

Watch out for the bite of ticks during the summer. Many ticks carry Rocky Mountain spotted fever, a disease found in the U. S. from coast to coast. It can be cured with broad-spectrum antibiotics if treated promptly; without them, it is fatal in 20% of all cases.

A smear of blood from an infected, engorged tick—even on unbroken skin—can cause the disease. So always remove ticks from animals with tweezers.

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PRODUCTION

Companies Are Hunting New Plant Sites

REASONS

New markets are springing up, getting bigger and bigger.

Freight rates have jumped, distribution costs more today.

Operations are breaking into many small, scattered units, getting away from big plant inefficiency.

Some companies are moving out of tight labor areas.

CAUTIONS

Is a plant going up when a warehouse would have been a better choice?

Is a personal preference guiding the site selection?

Is too much emphasis put on one immediate advantage—a free plant, or short-term tax relief?

Is a large labor market mistaken for a quality labor market?

The Right Spot to Settle Down

The company that wants to put up a new plant today—and be happy with it tomorrow—must consider factors that wouldn't have been so important, say, five or six years ago. For that reason, the business of finding the right site for a new plant is becoming more and more scientific.

For example, there was a time when companies could afford to concentrate their production in a single city and ship everything from there. Today, with competition setting up a nationwide network of smaller manufacturing units, the manufacturer has to think about multiple units that will be (1) more efficient and (2) closer to his scattered markets.

Also, there is the threat of enemy attack. The vital industry that is clustered in a few small areas could be knocked out overnight.

• **More Thinking**—For these reasons, plus many others (chart), plant location is getting a bigger play among management. Many companies today are increasing their plant location staffs—once a one-man operation. Others, though not yet a majority, are calling in private consultants to handle their plant location problems.

Most of the large management consulting firms will handle this task, though their principal job usually is to come into a plant after it is in operation, smooth out kinks in the plant's production. A specialist in the field of location is a New York firm, Fantus Factory Locating Service (BW-Sep. 17 '49, p. 70). Fantus isn't interested in a production-line problem in an existing plant. But if somebody wants to find a new plant site, Fantus will go out

and look. This year, it will find sites for more than a hundred new plants.

• **Interested Parties**—Other organizations, too, are eager to help an expanding company to find a good site for its new plant. Just about every railroad has an agency that specializes in plant location work—though the agency will have an understandable bias in favor of locations along its own line. A number of states have set up development commissions to attract new industry, and a few of these are authorized to locate your plant for you. Some will even pay for its construction. Power companies do a lot of plant location work, too. And the Bureau of the Census' Industry Div., Washington, D. C., spends time with site-hunting companies every day—trying to help them locate in the right spot.

Then, too, some of the bigger construction companies maintain staffs to help in plant location. A year or so ago, for example, the Permatex Corp., New York chemical producer, called on Walter Kidde Constructors, Inc., for advice on moving from Brooklyn to the Midwest, one of its chief market areas. Kidde's men recommended not abandoning the Brooklyn plant in favor of a big new Midwest plant; they suggested a small plant in the Fairfax industrial area of Kansas City. The new plant will open later this year.

Some companies rely heavily on the help of such organizations, because a big railroad, for example, can afford a staff of plant location experts that would be beyond the means of a small company. And the service is usually free. On the other hand, there is some danger in relying entirely on the analy-

sis of one such agency. For example, the development commission of a state isn't likely to encourage you to set up your plant in the state next door. And the representative of a big railroad isn't going to find a site for you that's off its own line.

Even so, if a company has made its own thorough investigation and has found that its new site should be somewhere within a particular state, or somewhere on a particular rail line, then either the state or the railroad can give valuable help in the final site selection.

• **Broader and Deeper**—Whether a company makes the study itself or has someone else do the job, it has to make sure that it isn't overlooking any bets.

The man who takes on a plant location study has to begin by studying the company from its broadest operation to its deepest detail: the products it makes, the skills required to produce them, the markets it serves. Then he has to pore over maps, population figures, family income statistics. He will weigh the cost of getting raw materials to the plant against the cost of shipping finished products to market. He will study the labor supply of many different regions, evaluating each in terms of the company's special needs. He will check power and water costs, tax rates, community attitudes.

In maybe three or four months, he will come up with a report recommending a site—or a choice of several sites—that the company should settle on.

• **Mistakes Will Happen**—Whichever way a company approaches the relocation problem—through a specialist, a state or transportation bureau, or its own

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men—mistakes are possible. Trouble follows if the advisers overlook an important factor.

For example, three years ago, one of the country's largest manufacturers assigned a plant-location team to a six-month job—finding the right spot for a new \$4-million plant.

The team went through the usual steps, checking some 30 to 35 factors. Possibilities were narrowed down to a dozen localities, then to the one outstanding site. Management approved the recommendation. The plant was built, and opened with fanfare. Three weeks later, it was closed by a strike. It hasn't been opened since.

The company team had made just one mistake: It had assumed that the labor situation was stable because labor was plentiful. Actually, the town had a turbulent labor history dating back to the 1920s, and strike troubles should have been predictable.

• **Reasons for Moving**—This year, about \$27-million will be spent in the U.S. to build new plants and offices and to modernize and expand existing ones. The chief reason, of course, is the natural growth of U.S. industry—about half of that \$27-billion will go for expansion and modernization of existing structures. But Leonard C. Yaseen, senior partner at Fantus, sees other reasons for moving plants:

• The tremendous shift in markets. Just a few years ago, an automobile manufacturer could assemble all his cars in Detroit, ship in all directions from there. Now he must scatter his production over half a dozen plants if he is going to keep costs competitive.

• The increase in freight rates. Yaseen estimates that the average manufacturer in 1947 spent between 1% and 14% of the cost of his product on freight charges. He says it's more likely to be 3% or 4% today. Since 1946, the Interstate Commerce Commission has approved nine freight rate increases. Today, it costs almost three times as much to ship 100-lb. of electrical condensers from New York to Chicago as it cost eight years ago.

• The impetus toward decentralization. Instead of having one plant that makes every product in a company's line, many companies have set up a series of small plants. The company gains in a number of ways: Several small units are often easier to manage than one large one; the smaller unit can be put down in a small town instead of in or near a big city; shipping charges are reduced, because each unit blankets a different market.

• Small, scattered units are able to keep their markets supplied faster, because they're closer.

• **Labor**—Many companies have broken up their single-plant operations in recent years for still another reason: the

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threat of a complete company shut-down because of strike. It's no secret that many big companies have broken up their home plants primarily for this reason, though they have gained other advantages by doing so.

However, few companies expect to escape completely from a bad labor situation by moving into a big new plant in another part of the country. The new plant gives the company a chance to make a fresh start with new personnel. Perhaps, with that start, and with the experience it went through at the old plant, it will not make the same mistakes that forced it to move away. But the move alone, with no changes in policy, won't be enough.

• **The South**—For example, many companies are moving to the South. Some say they have made the move to get closer to their sources of raw materials. Others say it was because wage rates were much lower, or because the southern state had waived taxes for the first few years.

If the move is made to pick up cheaper labor, companies have to be very selective. In many southern cities, wage rates have been inching up for years, so the wage differential is decreasing. Pay for the higher skills is almost on a par in Atlanta and, say, Cleveland or Pittsburgh.

But in the small towns throughout most of the South, labor is still relatively cheap—though it is predominantly unskilled. For the company that relies mostly on unskilled labor, the small town is likely to be the choice for its new plant.

• **Orientation Lesson**—How a company goes about picking out a new plant location depends primarily upon what it makes. If it is a steel producer, it is tied closest to its raw material supply. In plant location lingo, it is raw-material-oriented. That means that ideally it wants to find a site that is accessible by barge as well as by train.

On the other hand, if the company is a soft-drink producer, it is market-oriented. It must get as close to its markets as possible; the source of its raw materials is secondary. But there is a trick to going about it in the right way. According to the location experts, companies get so excited about moving close to a market that they forget to keep their production in balance with their market potential.

Yaseen cites the example of a Midwest detergent manufacturer who wanted to set up a complete manufacturing plant on the West Coast. But the smallest producing unit he could build would have produced enough detergent in eight days to supply the West Coast market for a month. To get rid of this output as fast as it was produced, the company would have had to stretch the plant's market as far east



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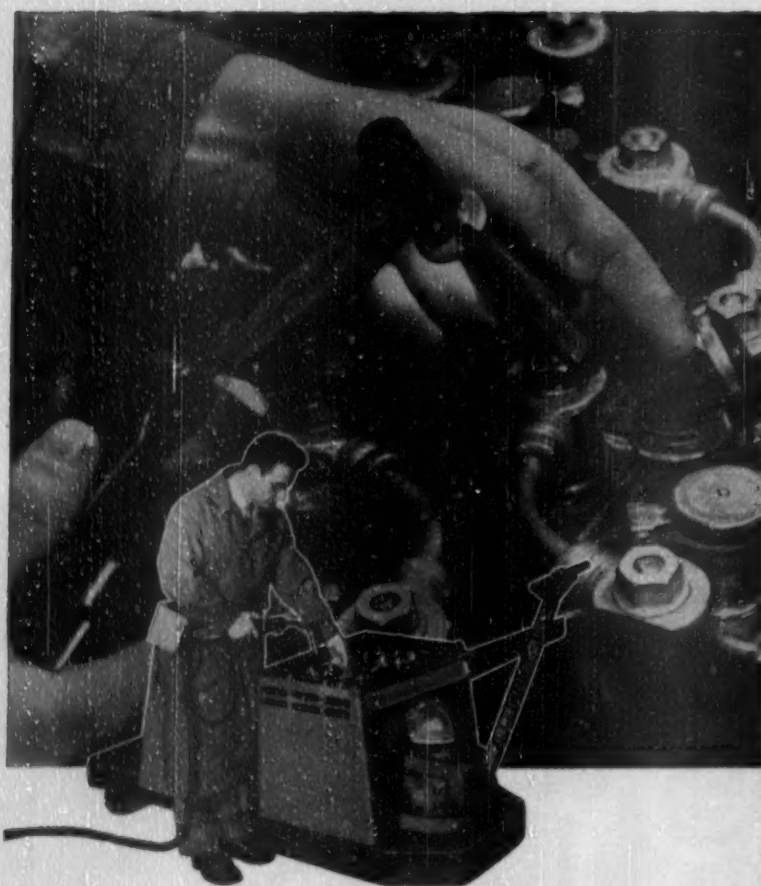


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as Missouri. Instead of overproducing, the company built a small packaging plant in California, shipped the detergent in bulk from its plant in Illinois.

There are some industries that are labor-oriented. The labor portion of their total cost of production is relatively high. The metalworking industry is a good example. Here, the company must be sure that the area it moves into has high-quality labor. When such a producer goes out looking for a small town, his selection is sometimes complicated. Either he must bring in labor from his old plant, or he must set up special schools to train men for six or eight weeks in the skills that the company must have.

• **Leaving Gracefully**—Many a town has cursed a company because it moved away, leaving a big labor force without work. During the Depression, companies sometimes closed up an operation permanently without notice, leaving whole areas blighted.

Even today, few companies worry about what happens to a town after it has gone. Rather, this becomes a problem for the town to solve.

• **Sunbury Problem**—One company is moving out of a small town two weeks from now. It is trying to make the move in such a way that the move won't hurt the town. The company is Westinghouse Electric Corp.

Since World War II, it has been manufacturing radio and television sets at a plant in Sunbury, a town of some 16,000 in central Pennsylvania. At peak, the plant employed 2,300 people. It was by far the biggest employer in the region.

But Westinghouse has known for some time that it would have to close the plant. For the past couple of years, it has had a newer unit in operation in Metuchen, N. J. Because it was closer to the company's biggest market, the Metuchen plant had the edge. Also, because it was built for radio and TV production, the Metuchen plant is more efficient. The Sunbury plant was built in 1929 as a dyeing plant.

When the company notified the officials of the town that it would be closing the plant, the town sent a delegation to Pittsburgh to talk with Westinghouse president, Gwilym A. Price.

• **Finding New Industry**—Price suggested that the town put a plant location specialist to work on finding new industry for Sunbury. He said that Westinghouse would pay the rent for a new manufacturer for the next year and a half, and pay the specialist's fee. Sunbury called in Fantus.

This is one of the rare occasions when Fantus has made a study for a town or city. Yaseen says it is the first time, to his knowledge, that a company has tried to help a town stay on its feet after the company moved away.



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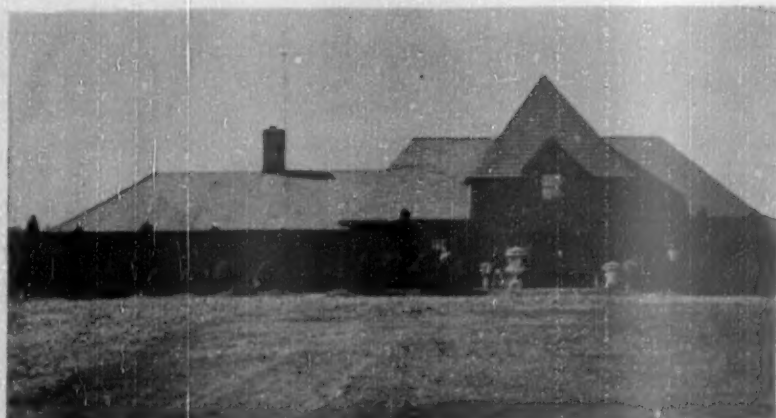
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BUSINESS WEEK

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the complexity of the engineering computations that industry must make. It's commonplace to buck up against a problem that would take a man a lifetime to solve manually. But the same sort of engineering problem is duck soup for one type of mechanical brain—the analog computer. And EAI, though it's a small company, claims to do 40% of all the business in analog computer centers.

Incidentally, EAI isn't alone in the rental field for analogs. A competitor, Berkeley Div. of Beckman Instruments, Inc., this month is launching a string of similar, but somewhat smaller, computer centers around the country.

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- The *cash value* of Series E and H Bonds held by *individuals* at the end of March, 1954, was \$37 billion, 175 million—the highest in the thirteen year history of the Savings Bond program.
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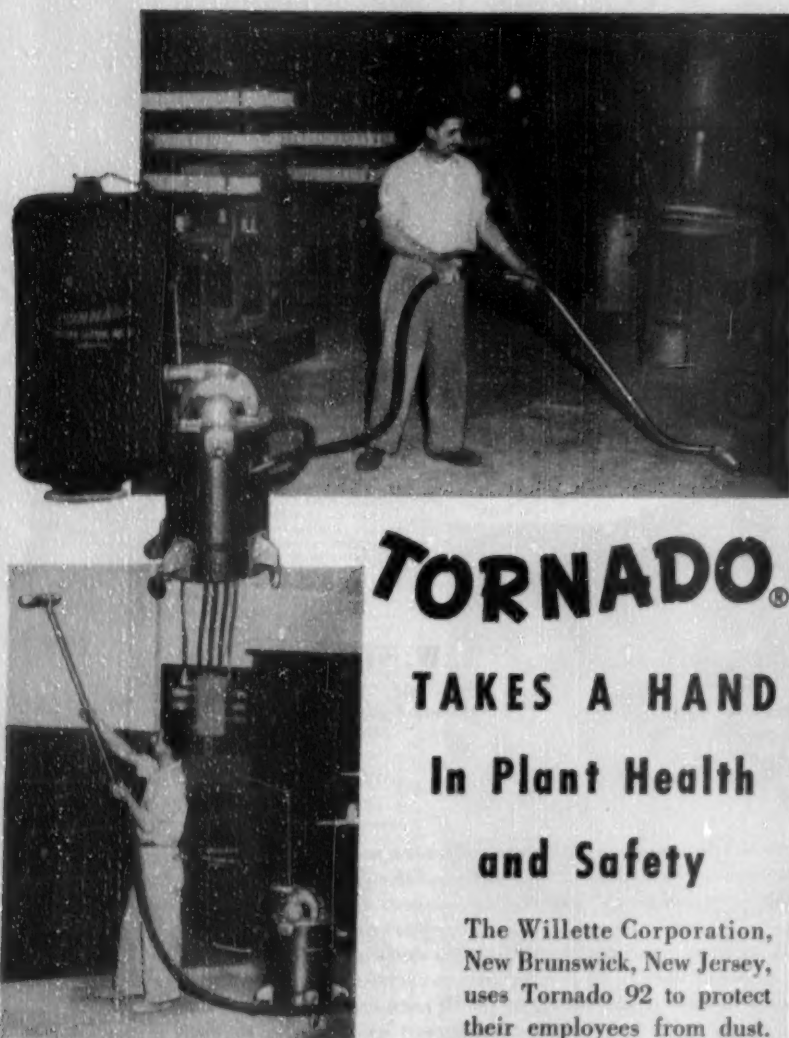
amount of Series E Bonds that matured since May, 1951—almost \$9 billion—is still being held by individuals under the Treasury's 10 year optional automatic extension plan.

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computer (BW—May 22 '54, p90) is used to simulate physical reactions. Say you want to know the behavior of an auto spring jouncing over a bumpy road. The computer's tubes and mechanical movements will simulate—or be analogous to—the movements of the spring. The answer—rough but fine for all practical purposes—may be expressed as a tracing on graph paper or as moving lines on an oscilloscope. Either way, the answer will tell you how the spring will behave when it's put to work, and thus spare you the costly old cut-and-try process of finding out.

• **Calculation**—The analog computer differs in many ways from its larger brother the digital computer. For one thing, the digital job costs more (prices range from \$50,000 to \$1-million, compared with \$15,000 to \$500,000 for the analogs) and it takes more human brains to operate them. Again, the digital computer always gives its answer in numerical form, and the answer is exact, not rough.

Digital computers have already been adopted by many large companies, and are also available in rental form (page 58). The principal use of these super adding machines is for statistical, or bookkeeping, work. The machine inhales vast amounts of figures, breathes them through the most complex calculus formulas, and exhales exact answers expressed in numbers, all in no time at all. There is a second type of digital computer that performs engineering chores more comparable to those of the analog type.

• **Trade Center**—In launching its rental program for analog computers, EAI is particularly pleased with its Princeton location. The university town is probably the greatest focus of electronic research in the world, and it's handy enough to Washington and the New York area, both major sources of suitable problems.

Neither EAI nor Beckman is interested solely in the direct revenues from renting their machines. Both hope that the new availability will rouse much greater interest in their products throughout industry. An analog computer is a natural for many of industry's diverse applications, where a digital would be too big and expensive. But an analog's modest cost, compared with a digital, has scared away some customers that have never had the chance to give the machine a whirl.

Little EAI is glad to have a demonstration showroom, possibly self-supporting, which it could hardly have afforded to maintain at its Long Branch (N.J.) plant.

If the other leading companies in the analog computer field finally turn to rentals, it will not be because smallness drove them to it. Each of them makes computers as a side activity of a big

company: Boeing Airplane Co., Good-year Aircraft Co., and Reeves Instrument Corp., a division of Claude Neon, Inc.

PRODUCTION BRIEFS

Studebaker Corp. got back into auto production on Monday, after a week-long shutdown. It was the company's ninth shutdown this year.

Oil refinery cutbacks: For the second time in a month, Sinclair Oil's refining subsidiary has announced a reduction in output. The two decreases total 5%. Texas Co. also is reducing refinery runs, but didn't say how much. The reason: a glutted market.

Cleaner Pittsburgh: All the gas from the blast furnaces at U.S. Steel's Edgar Thomson Works is washed now before it gets away. Last week, the company started feeding the gas through spray towers that remove flue dust, the chief annoyance.

Curtiss-Wright Corp., the aircraft engine producer, will soon be making equipment for measuring, computing, and control in the electronic and ultrasonic fields. The company has agreements with German and Swiss companies, which developed the equipment.

Kaiser Aluminum & Chemical Corp. is searching the Ohio River Valley for a site for a new aluminum rolling mill. One rumor says it will be a \$50-million plant, claims that it will be built near Point Pleasant, W. Va.

An X-ray microscope that looks inside magnified specimens, and thus has possibilities as an aid in the development of new alloys, has been developed at General Electric Co.'s engineering lab at Schenectady. It magnifies up to 1,500 diameters.

Increased pig iron production: U.S. Steel Corp. and Arthur D. Little, Inc., the New England research organization, have signed an agreement giving the steel company the right to use a Little process for increasing pig iron production. Republic Steel has used it for more than a year, has increased daily output of its blast furnaces by 15%.

An oil-from-shale plant may be in production in Colorado within the next five years. Gov. Dan Thornton predicted it in Los Angeles recently, adding that shale oil production costs were now almost competitive with crude.

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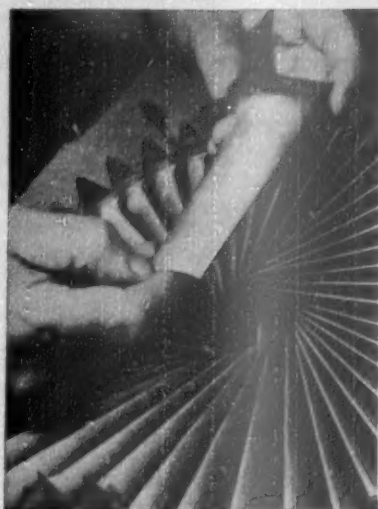
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NEW PRODUCTS



Keeping Jets Cooler

Pratt & Whitney Aircraft is claiming a major victory against jet-engine heat. This week, the company announced that it is using a nickel-based alloy in turbine blades for its J-48 turbojet engine (picture).

According to P&W, the new alloy—called Waspaloy—has greater heat-resisting qualities at operating temperatures of 1,500F to 1,600F than any other known wrought alloy.

Work on the new alloy started in 1949 when P&W metallurgists set out to find a material that would withstand higher temperatures and that could be produced entirely from domestic resources.

The basic formula of Waspaloy contains more than 50% nickel, alloyed with chromium, molybdenum, and small amounts of titanium and aluminum to give stability and hardness. It still requires cobalt, but in much smaller quantities. P&W is making Waspaloy available to other jet engine manufacturers without license fee or royalty.

• **Collaboration**—The end product was arrived at in two steps. The formula developed by P&W provided a material that would stand up much better than previously used blade materials under the severe stresses of high-temperature operation. Improvements in processing the material by using vacuum-melting techniques instead of conventional arc-melting were later introduced by Utica Drop Forge & Tool Corp. The net result in the J-48 is an engine that will operate at higher turbine temperatures for longer periods of time. This adds up to a substantial increase in speed for planes that use the engine, such as Lockheed's F-94C

Starfires and Grumman's F9F-6 Cougars.

• Source: Pratt & Whitney Aircraft Div. of United Aircraft Corp., East Hartford 8, Conn.

Improved Oil Catalyst

Concern over the loss of precious catalysts, used in making automobile and aircraft gasoline from heavy petroleum stocks, has been plaguing oil refiners for years. Catalysts have the consistency of fine sand, sometimes drift out of processing tanks.

This week, American Cyanamid Co., a big supplier of catalysts, announced a new catalyst that appears to cut down stack losses by chemical make-up. Cyanamid's chemical approach runs contrary to accepted theories of why catalysts are lost—and the company says its research wasn't even aimed at stack losses. But tests of the new catalyst staged during the past year by a major oil refiner indicate losses were considerably lower than usual.

The catalyst is said to last longer and give more selective yields. The key is a higher alumina content, which runs about 25% by weight. Alumina content usually runs 13% in synthetic catalysts.

• Source: American Cyanamid Co., Refinery Chemicals Dept., 30 Rockefeller Plaza, New York 20, N. Y.

NEW PRODUCTS BRIEFS

Burrroughs Corp., a veteran in the full-board adding machine field, is putting out a 10-key machine for the first time. Its new machine is a light compact unit that can easily be carried in one hand.

Camshafts for cars can be produced automatically on a new machine demonstrated this week by Seneca Falls Machine Co., Seneca Falls, N. Y. The machine is composed of two lathes coupled with automation equipment, which tools and unloads the lathes and transfers the camshafts from one lathe to the other. It can turn out 112 shafts per hour.

Molded nylon parts for outdoor uses are in the offing. Du Pont has just announced a new formula for its Zytel nylon resin, which doesn't break down under ultraviolet radiation. The new formula opens up possible uses for the material in agricultural machinery, sporting goods, toys, electrical equipment, and autos.

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China on the Stage

Geneva has shattered a number of American illusions, among them the idea that somehow Red China could be kept off the world diplomatic stage indefinitely. The fact is that Peking has forced its way onto that stage and it is probably there to stay (Special Report, page 92).

It doesn't follow that the U.S. should agree with those of our allies who advocate Red China's immediate admission to the United Nations. President Eisenhower and Secy. of State Dulles have rightly insisted that we will never agree to let Peking shoot its way into the U. N. When the U. N. issue does have to be faced, as it surely will, our decision should be made from a realistic and hard-headed appraisal of our national interest.

There are good reasons why the American people should feel strongly about what has happened in China since World War II. Here is a nation that we had befriended for over a century, yet is now in the Communist fold and appears to relish insulting America as much as Soviet Russia ever did. But clearly Red China is no paper dragon that can be blown away with emotional steam or punctured with pinpricks.

The worst way to deal with this new China would be to repeat our changing attitudes toward Communist Russia. We started as a nation by being violently anti-Soviet. In the 1930s our attitude softened—and it wasn't just the New Deal pinks who were involved. During World War II, many Americans fell for Wendell Willkie's "One World" illusion, something that can't entirely be disassociated from Yalta.

All this suggests that now is the time for Americans to face the reality of Communist China—the fact that it is firmly under Communist control and almost certainly will stay that way for the foreseeable future; the fact that its power will grow just as Russia's did and thus its weight in world affairs. Once these facts are recognized, it will be easier for the U. S. to find a policy for dealing with Red China that is firm and steady—and workable for the long run.

Statistics Mean Savings

Government statistics have vastly improved over the years, but they are still not good enough. This was the general opinion voiced last week by economists and businessmen before the Joint Committee on the Economic Report. They were led by Arthur F. Burns, chairman of the Council of Economic Advisers.

The experts agreed that the government's data presented a pretty accurate profile of the 1953-54 recession. But the recession also revealed gaps in the picture. In some areas, such as construction and unemployment, many of the figures are none too accurate. Moreover, last year's failure of Congress to provide funds for new

censuses of mining and manufacturing is resulting in new inaccuracies.

Perhaps the biggest deficiency is the lack of information on the consumer. *BUSINESS WEEK* has pointed out the need for acquiring more data on the habits and intentions of consumers as a guide for business (BW—Aug. 22 '53, p136). This view was stressed by both business and government economists.

Existing indexes, such as those on employment, need to be improved. The Administration has revised figures to narrow the margin of error, but there is still considerable room for improvement.

As businessmen planning a sales campaign or a capital spending budget can testify, bad figures are often worse than no figures at all. Similarly, the government would be sorely handicapped if its figures on, say, unemployment, were either inadequate or wrong.

It will take money to fill the gaps in our statistics and to improve them. But Congress has already cut back the appropriations needed to maintain the present statistical program, a policy that was justly labeled as "penny wise and pound foolish."

This is because the sum spent on our statistics is minuscule when compared to other government expenditures. We hope that Congress does not equate a small appropriation with an insignificant function. The testimony of the experts provided evidence that every dollar spent on improving and revising means bigger profits for business and bigger savings for the government—which ultimately benefit every taxpayer.

Dollars and Ideas

When the U. S. Steel Foundation last week parceled out \$700,000 in initial grants—mostly to liberal arts colleges—Chairman Benjamin F. Fairless made it clear that there were no restrictions. He said: "The Foundation has no desire to share in purely educational decisions or to become involved in the customary provinces of colleges and universities."

Good for him, we say. Neither U. S. Steel nor any other corporation should feel entitled to dictate to an educational institution because of a money contribution. But we really don't want to see a complete divorce of business and education except for such transfers of funds. Instead, we believe it is beneficial to have educators and businessmen get better acquainted.

For example, when the College English Assn. Institute met at Michigan State College, several hundred business and education representatives spent two days exploring ways of reducing the gap between industry and the liberal arts. Much was accomplished. But it will take many more meetings of the same type to dispel false notions each group has long had about the other.



Midsummer
night's
scene
ACT I

ACT II



In the early days of home air conditioning, the advantage of cooled air was offset by the disadvantage of noisy units. Sleep-comfort was still elusive. To solve this problem, manufacturers turned to Fafnir. Now ball bearing equipped units not only make for midsummer night "dreams" but for more efficient operation. For the same reason, large air conditioning systems installed in theatres, restaurants and other public buildings are whisper-quiet today. Fafnir smooth-running, long-wearing ball bearings in blowers, fan shafts and electric motors assure cool comfort unobtrusively for patrons . . . and cold cash for businessmen. Call this Fafnir's attitude and aptitude for solving bearing problems. It's a way Fafnir has of looking at bearings from the user's point of view . . . an ability to provide the right bearing for the need. Any need, for Fafnir's experience is over 40 years long — and industry wide. The Fafnir Bearing Company, New Britain, Conn.

At right . . . Wide-Type Plyo-Seal Ball Bearing, one of several Fafnir types supplied for air conditioning equipment. Features include: extra large grease space, factory-packed for life, large area for housing contact.



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BALL BEARINGS

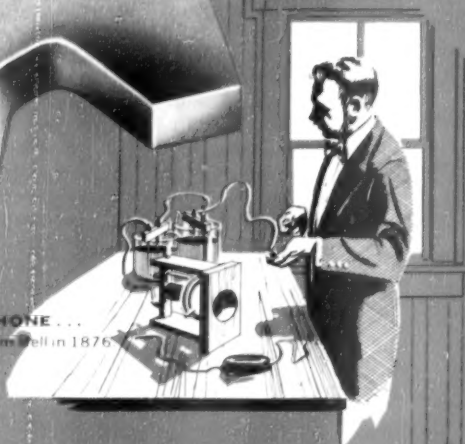
MOST COMPLETE LINE IN AMERICA

MORE than top quality in ball bearings . . . it's what Fafnir has ON THE BALL

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THE FIRST POSITIVE
ACTION LOCK WASHER ...
SHAKEPROOF® Lock Washers
have tapered-twisted teeth that
create a positive locking action.

THE FIRST TELEPHONE ...
Invented by Alexander Graham Bell in 1876



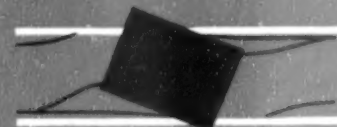
A better lock that means lower costs!

SHAKEPROOF® Lock Washers make every fastening a perfect
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faster ... rejections and service requirements are reduced ... costs are less!

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